Report No. 14733-UNI

Nigeria
Poverty in the Midst of Plenty
The Challenge of Growth with Inclusion
A World Bank Poverty Assessment

May 31, 1996

Population and Human Resources Division
Western Africa Department
Africa Region

Document of the World Bank

CURRENCY EQUIVALENTS
(As of April 30, 1996)

Currency Unit: Naira ₦

Official Rate:
US$1 = Naira 21.886
Naira 1 = US$0.0122

Autonomous Market Rate
US$1 = Naira 82.000
Naira 1 = US$0.0122

FISCAL YEAR
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ADP	Agricultural Development Projects
BLP	Better Life for Rural Dwellers Program
CAPPA	Community Action Program for Poverty Alleviation
CBO	Community Based Organizations
CDA	Community Development Associations
CDC	Community Development Commission
CGE	Computable General Equilibrium Model
CHAN	Christian Health Association of Nigeria
CPI	Consumer Price Index
DFRRI	Directorate for Food, Rural Roads and Infrastruture
DHS	Demographic and Health Survey
EPI	Expanded Program on Immunization
FAO	Food and Agriculture Organization
FCT	Federal Capital Terrritory
FUMTP	Federal Urban Mass Transit Program
FGT	Foster-Greer-Thorbeck Measures of Poverty
FMOH	Federal Ministry of Health
FOS	Federal Office of Statistics
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ILO	International Labor Organization
LGA	Local Government Authority
MPCHHE	Mean Per Capita Household Expenditure
MCPCHHFE	Mean Per Capita Household Food Expenditure
NALDA	National Agricultural Land Development Authority
NCS	National Consumer Survey
NPHCDA	National Primary Health Care Development Agency
NDE	National Directorate of Employment
NEPA	Nigeria Electric Power Authority
NERFUND	National Economic Reconstruction Fund
NGO	Non-Governmental Organization
NITEL	Nigeria Telecom
NNPC	Nigeria National Petroleum Corporation
NPC	National Planning Commission
NPEC	National Primary Education Commission
NPEF	National Primary Education Fund
ODA	Overseas Development Administration of the United Kingdom
PAPDC	Poverty Alleviation Program Development Committee
PBN	People's Bank of Nigeria
PHC	Primary Health Care
PPA	Participatory Poverty Assessment
PRS	Planning, Research, and Statistics
REER	Real Effective Exchange Rate
SAP	Structural Adjustment Program
SDO	Subsidies for Autonomous Regions
SME	Small and Medium Scale Enterprises
SSA	Sub-Saharan Africa
TBA	Traditional Birth Attendants
UNDP	United Nations Development Program
UNICEF	United Nations Childrens Fund

NIGERIA: POVERTY IN THE MIDST OF PLENTY
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ACKNOWLEDGMENTS

This report is the result of the combined efforts of many people, in several countries. In particular it is the result of a close collaborative working arrangement between the World Bank and the Federal Government of Nigeria, with extensive financial assistance from the Overseas Development Administration of the United Kingdom (ODA) and UNICEF. The Bank would like to express its deep appreciation for the cooperation and support provided by all who have participated.

In Nigeria, the leadership was provided by the National Planning Commission and the Federal Office of Statistics. Over a period of three years, the World Bank staff worked intensively with their Nigerian counterparts. Jointly the data base was developed, refined and analyzed. To support the analysis of the data, the ODA financed the Nigeria Participatory Poverty Assessment which was conducted in 95 communities in 45 LGAs involving some 2,000 poor people. The analysis was subsequently extended with assessments of poverty alleviation programs in 36 communities, undertaken as part of the work of the newly-established Poverty Alleviation Program Development Committee which has both government and non-government participation. These participatory assessments provide the voice of the poor. To extend and draw from the data and the assessments, a series of workshops were held with the research teams and with government officials. Through this collaborative process, this Poverty Assessment and the Background Papers were drafted.

In August 1995, a formal review of a draft version of the Poverty Assessment was held, chaired by the Federal Minister of Planning. The debate and discussion helped to identify and refine the content and coverage. Subsequently, the issues raised were incorporated into the government's preparation of the 1996 Budget and the Rolling Plan for 1996-98. Following the discussions, the Federal Office of Statistics provided further assistance with quality verification of the Survey Data, which strengthened the analytic basis for the Poverty Profile. Throughout the development of the Report, a close and collaborative working arrangement has been maintained.

The Poverty Assessment has been task managed by Hazel Denton, under the guidance of Ian Porter, Division Chief, Population and Human Resources. It was prepared by a team comprising Douglas Addison, Sudharshan Canagarajah, Santiago Montenegro, David Todd (consultant), Josephine Woo and Gianni Zanini assisted by David Bigman, John Ngwafon, Foluso Okunmadewa and Saji Thomas. Extensive technical assistance was provided by Martin Ravallion. Jose Sokol directed the preparation of the discussion drafts by Harry Walters, and the finalization of the report by the task manager. Additional support was provided by Boubker Abisourour, Alan Carroll, Lionel Demery, Markus Goldstein, Robert Hecht, Kathy Krumm, Timothy Marchant, Elizabeth Morris-Hughes and Samuel Onwona. Fabrice Bonnaire, Betty Casely-Hayford and Farida Reza provided essential assistance with preparation of drafts, publishing and proofing. Studies carried out in support of the Poverty Assessment include the following, copies of which can be obtained on request:

The Evolution of Poverty and Welfare in Nigeria, Sudharshan Canagarajah, John Ngwafon, Saji Thomas, World Bank, April 1996; *Government Policies and Programs to Reach the Poor*, National Planning Commission, Lagos, January 1994; *Nigeria: Participatory Poverty Assessment*, David Todd, ETC Foundation, for the Overseas Development Administration, London, September 1995; *Nigeria: Institutional Delivery Mechanisms and the Poor*, Dele Olowu and John Erero, Obafemi Awolowo University, March 1994; *Determination of Real Wages in the Nigerian Economy*, Santiago Montenegro, World Bank, October 1994; *Implications of Macro-Economic Policy for the Poor in Nigeria* - A CGE Analysis, Paul Dorosh, Cornell University, September 1994; *Poverty and Access to Social Services*, David Bigman, World Bank, January 1995; *Issues in the Financing and Delivery of Social Services in Nigeria: Lessons from other Federal Systems*, Rene Bernier, World Bank, October 1994; *Women in Agriculture and the Issue of Poverty*, J. O. Arokoyo and D. O. Chikwendu, April 1994; *Employment Policies and Poverty in Africa*, Central Bank of Nigeria, Lagos, April 1994, *Dimensions of Urban Poverty in Nigeria: A Case Study of Lagos, Kano and Enugu*, Olanrewaju J. Fapohunda, UNICEF, Lagos, August 1994; *Macroeconomic Policies and Poverty in Nigeria*, Nigerian Institute of Social and Economic Research (NISER), Ibadan, January 1994; *Factors that Limit Access to Primary Social Services for the Urban Poor*, Joseph A. Olomajeye, UNICEF, Lagos, August 1994.

EXECUTIVE SUMMARY

Introduction

1. Nigeria presents a paradox. The country is rich but the people are poor. Per capita income today is around the same level as in 1970. And in between, over $200 billion has been earned from the exploitation of the country's oil resources. This report examines what has happened to the poor during this period, in particular during the past decade. It is a complex story with a clear message: Nigeria is rich in land, people, oil and natural gas resources. If more of this wealth had been channeled to the development of its people and to the productive use of its land and other resources -- then Nigeria could have been poised for a promising future. How Nigeria now addresses its economic and social problems will not only determine its own fate but will also have a major impact on the success or failure of the region. Nigeria should take the lead in demonstrating how growth with poverty reduction can be achieved in Africa.

2. Poverty in Nigeria needs to be seen in a broad context. Nigeria has the largest population in Sub-Saharan Africa -- nearly 110 million in 1995. It encompasses a very complex society: regional, climatic and ethnic differences are reinforced by different historical and socio-economic legacies. Nigeria also has had a complex political history: frequent, often abrupt, changes in governments have led to sharp changes in economic and social policies. These have, for the most part, impacted adversely on the population and have worsened income distribution. The exploitation of the nation's oil resources, and the management of the great oil windfall, have dominated the progress and decline of Nigeria's economy over the past two decades, and have significantly influenced the evolution and perception of poverty. The economy is currently characterized by a large rural, mostly agricultural based, traditional sector, which comprises about two-thirds of the poor, and by a smaller urban capital intensive sector, which has benefited most from the exploitation of the country's resources and from the provision of services that successive governments have provided.

3. Regional disparities and sociological factors, when combined with the differential impact of economic and social policies, have clearly accentuated poverty in some areas more than others. The southern and middle agroclimatic zones are better provided with infrastructure and social services than the northern -- in part reflecting a more active private sector. Given the geography of Nigeria, the southern zone also has had a longer exposure to economic development and to modern international links. Nevertheless, poverty is pervasive -- to differing degrees -- in all three regions, and within all states.

4. The challenge for Nigeria is not one of improving one sector or region at the expense of another, or of introducing policy distortions and inefficiencies in resource allocation to benefit one group which in the past has led to increased poverty for others, but to adopt growth and social service oriented policies that will enable all its inhabitants to improve their welfare. Such policies would switch public expenditures away from

activities that the private sector is well equipped to undertake and toward those that emphasize the development of human capital; such policies could result in rapid improvement of social indicators, and underpin the foundations necessary for more rapid and sustained growth.

Framework of the Report

5. **Measuring Poverty.** The Poverty Profile developed for this Assessment rests on two National Consumer Surveys (NCS) covering household income and expenditure conducted by the Nigerian Federal Office of Statistics (FOS) in 1985 and 1992. These surveys permit a detailed analysis of the *nature* and *depth* of poverty for the country as a whole, by socio-economic groups and by geography for these two years, which is not possible for the earlier years, nor for the most recent years -- 1993-95. These surveys also provide a basis for analyzing the *evolution* of the depth and composition of poverty between 1985 and 1992.

6. **Structure of the Report.** Chapter 1 of this report analyzes the impact of economic policies on poverty in Nigeria over the 1972-95 period, giving special consideration to the changes that took place during 1985-92. Chapter 2 presents a Poverty Profile of Nigeria based on the two FOS surveys of 1985 and 1992, and analyzes the structure and evolution of poverty during these years using the Participatory Poverty Assessment (PPA) results. Chapter 3 surveys developments in the social sectors and their impact on poverty, with special attention given to social indicators, the organization and management of social services, and the access of the poor to these services, including results of qualitative surveys which provide access to the views of the poor themselves. Chapter 4 considers how Nigeria can better address poverty and its reduction through multidimensional approaches, including macroeconomic policies and management, expanded and more efficient support of social services, and by targeting the poor.

7. **Preparation of the Report.** The report has been developed collaboratively with the FOS, with financial support from the Overseas Development Administration (ODA) of the United Kingdom and from UNICEF. Staff from FOS worked closely with the technical staff of the World Bank (in Lagos and in Washington), participated in workshops to present preliminary findings, and prepared draft documents to assist the analysis. During preparation of the report, the key findings were regularly discussed with the government, most recently at a workshop in August 1995.

8. Throughout the report, the statistical findings are elaborated by qualitative work. The Nigeria PPA was conducted in 95 communities in 45 LGAs involving some 2,000 poor people. The PPA provides insights into the priorities, concerns, and perceived quality of current development initiatives. The research was carried out by experienced Nigerian researchers undertaking individual and group discussions. The extracts from the PPA illustrate vividly the challenges and coping strategies of the poor.

9. **Report Follow Up.** In 1994, the National Planning Commission (NPC) reviewed the preliminary outputs from the collaborative work on this report, and took the initiative

to set up a Poverty Alleviation Program Development Committee (PAPDC). The PAPDC consists of representatives from government agencies (including the NPC and the Federal Ministries of Finance, Health and Social Services, Education and Youth Development, Agriculture and Natural Resources, and Labor and Productivity), non-governmental organizations, community development associations, and academic and business communities. Its main task is to advise government on the design, coordination and implementation of poverty alleviation programs. After two years of detailed work, including beneficiary assessments and consultations in rural and urban communities, the PAPDC has developed a proposal for a multi-sectoral Community Action Program for Poverty Alleviation (CAPPA). The proposal envisages that a core component of the CAPPA will be the provision of a large number of relatively small, well-targeted, demand-driven projects at the community level. Other components will support the streamlining and coordination of ongoing and proposed sector-specific policies and programs affecting the poor. Funding for CAPPA will be sourced both internally and externally. Draft implementation manuals are being prepared for the proposed program, which is expected to be implemented in phases, with the first phase limited to a number of selected areas and projects.

Economic Change and the Impact on Poverty 1972-1995

10. **The Earlier Years, 1972-85.** Many significant events before 1985 affected the economy and poverty, none more important than the management of oil revenues. The huge inflow of oil revenues was spent as if the exceptional oil price increases of the 1970s were permanent. The spending of the oil revenues drove real per capita income (in constant 1987 prices) up from ₦ 1,300 in 1972 to nearly ₦ 2,900 in 1980 (in current US$ from $280 to $1,100). Movements in real per capita private consumption during these years showed a similar pattern although with less extreme fluctuation. After 1980, oil revenues collapsed and real per capita income, expenditure and consumption dropped precipitously. Domestic savings per capita suffered the same fate. However, public expenditures on capital intensive projects continued -- increasingly financed by external borrowing -- to the detriment of investments in human capital.

11. The dramatic drop in per capita income, expenditures and consumption after 1980 tends to dominate public perceptions of poverty in Nigeria, especially by Nigerians who benefited from the increases in incomes between 1973 and 1980 -- those who derived incomes from oil revenues, or rents from distorted policies, or those in the civil service and public enterprises. But the modest overall changes in private consumption during the past two decades suggest that the majority of Nigerians did not benefit from the dramatic changes in average per capita incomes during the period.

12. While it is difficult to track the precise impact on poverty of these dramatic changes, the presumption is that some groups benefited from the oil booms, and that poverty may have declined somewhat between 1973 and 1980 because of the vast inflow of oil revenues and the dramatic expansion of social services, despite the misallocation and waste of resources that took place. By the same token, poverty undoubtedly

worsened between 1980 and 1986. But the absence of major changes in real private per capita consumption, a continuous decline in real wages after 1975, and many analyses during the years 1973-85 that show around 40-50 percent of the population in poverty, suggest that poverty was more persistent and stable during these years than aggregate income changes would suggest.

13. The reasons for worsening economic conditions after 1980 were multiple. Falling oil revenues arising from sharp decreases in the international price of oil and from decreases in oil production were not the only ones. From US$26 billion in 1980, oil revenue fell to US$6 billion in 1986, drastically reducing the government's capacity to spend. But at the time Nigerian authorities saw these declines as temporary and continued borrowing externally against expectations of a return of high oil prices, resulting in a large debt overhang. Other more important factors were also at work. The slow, even negative, growth in the economy, especially in agriculture, that typified the oil boom years -- which resulted from government policies that induced adverse relative price changes encouraging imports and stifling non-oil production -- came home to roost in the first half of the 1980s, as oil revenues decreased but the distorted policies continued. The government's inability to manage the country's exposure to oil price volatility, together with the huge waste of resources and multiple inefficiencies in resource allocation that characterized the period, made the impact of declining oil revenues and low production in other sectors even worse.

14. It is important to be clear about why the large inflow of oil wealth had so little lasting benefit. It was not the oil resources themselves that were the problem, but the management of those resources. As some other oil exporting countries have found out, a dramatic increase in revenues from a product such as oil, when not managed carefully, produces what has come to be called the "Dutch disease." This phenomenon has adverse repercussions in other sectors of the economy. The disease is most pernicious when the revenue increase that started the problem reverses itself. Immobility of resource flows compounds the problem. The increase in revenues causes an appreciation of the real effective exchange rate, which changes the relative profitability of traded vs. non-traded goods. Non-traded goods -- mostly public services -- are encouraged and non-oil traded goods production -- mostly agricultural -- is discouraged. If oil revenues fall, as they did dramatically in Nigeria between 1980 and 1986, the economy is left with a highly capital intensive production structure that cannot pay for the new, higher level of imports. These developments took place in Nigeria. The exchange rate appreciated five-fold and the relative profitability of domestically produced and resourced goods fell. Nigeria became a net importer of agricultural commodities, particularly food, after having been a major exporter of crops such as cocoa, palm oil, kernels and rubber, and largely self-sufficient in food. Thus, the mismanagement of the oil resources accentuated the terms of trade disparities between the urban and rural sectors, increased poverty in the rural areas because of choked-off agricultural production, and also increased income disparities in the urban areas, where those who could capture the benefits of distorted policies fared better than others.

15. Added to the "Dutch disease" was what came to be called the "Nigerian disease," where so much labor was sucked out of the rural sector into non-tradable production by temporarily higher nominal wages in the urban sector, that agriculture was further constrained by the absence of sufficient male workers. Excessive mechanization of agriculture by better-off farmers, due to subsidies and underpricing of capital goods, further displaced labor in rural areas. Misallocation of resources in agriculture also included the construction, but not completion, of huge irrigation dams, which drew capital into agriculture, but produced few production benefits. Although the authorities attempted to compensate for the distorted domestic terms of trade through fertilizer and interest rate subsidies, these actions led to further inefficiencies in resource allocation, which tended to benefit large, better-off farmers but not small farmers -- who became poorer.

16. Overall, the government's investments were largely unprofitable, and few were in labor intensive production, thus creating relatively little employment. In fact, real wages in Nigeria, after rising sharply between 1972 and 1975, declined on average throughout 1976-94, especially in urban areas and in the industrial sector, as increases in the labor force exceeded the demand. Thus, while the high oil revenues were potentially very positive, their management proved very destructive in terms of the negative impact these policies had on domestic production other than oil, and their limited impact on the generation of domestic employment and domestic income. Despite the government's large expenditures on the social sectors during these years, it failed to put in place policies to ensure sustainability, or an adequate safety net to protect the most vulnerable groups, whose poverty worsened even during the recovery years of 1985-92.

17. **Critical Years of Change, 1985-92**. This Assessment takes the experience of the years before 1985 as given and asks two questions: What was the nature of poverty in Nigeria in 1985? And how did it evolve between 1985 and 1992? Essentially there are two broad stories to tell, with multiple elements to each. The *first* is that after 1985 there was a significant recovery of the economy which led to higher incomes, higher household expenditures, and real gains for a large part of the population. The share of the population in poverty declined from 43 percent in 1985 to 34 percent in 1992. The *second* is that the gains for the poor were mixed: the lowest 20 percent of households did not share in this improvement, and the depth and severity of their poverty increased; nor did all regions and groups share equally in the positive developments. While the percentage of the poor in each agroclimatic zone declined during this period, most sharply in the southern agroclimatic zone, the share of Nigeria's poor remained highest in the northern zone. And poverty became more concentrated among those with no education.

18. Although oil revenues remained low and government debts accumulated after 1985, other sectors, such as agriculture and domestic manufacturing that had languished during the oil boom years, began to grow again following the improvements in the real effective exchange rate. In contrast to an average decline of 1.8 percent per annum between 1981 and 1987, Nigeria's real GDP grew by 5.4 percent per annum between

1986 and 1992. More important for poverty reduction, real per capita expenditures, which had fallen by more than 40 percent between 1981 and 1987, began to grow again -- by 8 percent between 1985-92 according to the less precise national accounts, and by 34 percent according to the two FOS surveys, which are a more accurate measure of household expenditures. However, even though in national terms average incomes grew and poverty declined, the middle income groups experienced substantially lower growth of incomes than the national average, and thus most middle class households considered themselves worse off during this period.

19. Some of Nigeria's earlier anti-export bias in manufacturing disappeared with policy reforms, and producers switched from imported to local inputs. Particularly in agro-processing and textile manufacturing, there was greater use of locally produced materials. The assembly-based manufacturing sector, which had depended on imported inputs and had been shielded from competition and market signals, contracted. But industry as a whole, which had declined annually by 4.8 percent on average between 1981 and 1986, grew by 5 percent per year from 1987 to 1992. Agriculture began to recover during the mid-1980s. The shift in relative prices in favor of agricultural production combined with import bans and a sharp rise in food prices occasioned by the 1983 drought, spurred a supply response leading to a partial recovery in 1984 and a boom harvest in 1985. From 1987 to 1992, production of traditional food crops and cash crops increased, and agricultural output grew at 3.5 percent per year on average, compared with only 0.6 percent between 1981 and 1986. By 1992, Nigeria was spending only one-fifth of what it had spent in 1986 on food imports. These positive developments are the legacy of the reform program that Nigeria introduced in 1986. While hotly debated at the time, and often seen as the cause of the poverty that people were experiencing -- which had in fact resulted from the mismanagement of oil revenues and of economic policies during the previous decade -- these reform policies were major factors in the recovery of the economy after 1986 and in the real gains for all groups below the poverty line except the lowest 20 percent of households between 1985 and 1992.

20. **The Recent Years, 1993-95.** But just as the reduction in poverty between 1985 and 1992 was overshadowed by the calamitous decline in oil revenues and policy distorted average incomes that preceded 1985, events since 1992 have eroded many of the positive changes that took place. With a reversal of many of the policies that contributed to growth and poverty reduction during 1986-1992, Nigeria's fragile economy has again fallen on hard times, and poverty has almost certainly worsened. Real GDP and consumption per capita fell by 5 percent between 1992 and 1994. A resumption of rapid inflation further eroded many of the earlier benefits -- from 49 percent in 1992 to 77 percent in 1994. The resulting rapidly worsening economic conditions have led to a reassessment of the policy direction by the government. In January 1995, the government introduced a policy of "guided deregulation" and began to re-establish control over fiscal and monetary policies. The tight fiscal stance succeeded in achieving rapid disinflation in the second half of 1995 and in stabilizing the market exchange rate throughout the year. However, the implied unexpected large real cuts in overall government expenditures also kept a lid on real economic growth. The real GDP growth rate has been officially

estimated at 2.2 percent for 1995, implying a further decline in per capita income and consumption.

21. These recent events strongly influence perceptions about poverty in Nigeria today, and obscure the modest improvements between 1985 and 1992. Most Nigerians both feel and are worse off now than only three or four years ago. The bulk of their declining incomes is spent on food and other essentials, the prices of which are at least twice the level of 1992. But it is important to recognize that this recent decline in welfare and increase in poverty is the result of the return during 1992-94 to the exchange rate, fiscal, and monetary policies which had such a destructive effect on the economy and society before 1986. It needs also to be recognized that despite all of the intervening changes, in real terms both per capita income and per capita private consumption in 1995 were lower than in the early 1970s, before the oil boom. Thus, the perception of many Nigerians today that poverty has been continuous and worsening is totally realistic.

A Profile of Poverty in Nigeria, 1985-92

22. **Measurement of Poverty**. A poverty line of ₦ 395 per person per annum at 1985 prices was selected. This is two-thirds of mean per capita household expenditures in 1985. People at this level and below are classified as "poor." A lower poverty line of ₦ 198 per person per month, one-third of mean per capita household expenditure in 1985, is used to designate the "extreme poor." There are many reasons to believe that these lines are a close approximation of poverty and extreme poverty in Nigeria. The poverty line of ₦ 395 per person per month in 1985 was slightly higher than the equivalent of US$1.00 per day adjusted for purchasing parity, which is often used for multi-country comparisons. It is also slightly higher than the minimum wage (adjusted for per capita equivalence) in 1985. Such a level of expenditure would permit those at the poverty line in 1985 to consume food products containing 2,036 calories per person per day, slightly lower than the FAO recommended minimum of 2,100. In 1992 the poverty line expenditures would provide food with 2,219 calories per person per day.

23. Analyzing the *evolution* of poverty between 1985 and 1992 involves complex analytical issues and is more subject to question because of the difficulties involved in linking two different surveys through a time when volatile macroeconomic changes were taking place, and because of differences in the two surveys themselves. In the analysis, the two Nigerian surveys are linked through an especially designed consumer price index and the *relative* poverty line of 1985 becomes an *absolute* poverty line applied to both end years (in constant 1985 prices).

24. **What Happened to Poverty**? Although the percentage of the population in poverty declined from 43 percent to 34 percent in Nigeria between 1985 and 1992 because of a 34 percent increase in mean per capita household expenditures, not everyone benefited. The growth in household expenditures was the result of a resumption of growth which had some broad based features -- but not evenly shared. Expenditures increased for 80 percent of households, but the highest 10 percent of households

experienced almost 48 percent increase, while the lowest 17-18 percent of households experienced an absolute decline in expenditures. Poverty therefore worsened for the lowest income households, some 18 million people. The PPA is illuminating for providing the voice of the poor: increasingly limited diets; weakened linkages to opportunities because of transportation costs; accommodation has become more cramped; self-employed artisans face lower demand for their goods and services; the accessibility and quality of government social services has declined; entire poor communities have become isolated; social stress has increased, with an erosion in "traditional" values; a weakening of local safety nets; and the special vulnerability of women and children.

25. During the period 1985 to 1992, while the total number of people in poverty declined by over a million, there were significantly different trends in the rural and urban areas. The number of poor in the rural areas fell sharply from 26.3 million to 22.8 million, while those in urban poverty rose, from 9.7 million to 11.9 million. Given that if current migration and population growth rates are maintained, within a decade almost half the population would be living in urban areas, the increasing poverty of the population in the urban areas highlights the need to design growth policies which focus on them, as well as measures to slow down the pace of migration.

26. Income distribution worsened. *Extreme* poverty increased nationally from 10 million to 14 million, with a tripling of the headcount in urban areas (1.5 million to 4.3 million) and a small increase in rural areas (8.6 million to 9.6 million). Had income distribution not worsened, national poverty would have declined by 13.6 percent rather than 8.9 percent. Nigeria's experience of worsening income distribution with growth is shared by many other countries (but not all). These results clearly illustrate the need to be concerned with both the composition of growth (so that the poor share more in the process) and the distribution of income (so that poverty can be reduced faster than the growth itself can achieve).

27. **Poverty by Region**. The benefits of growth were also not shared equally by different parts of the country. Growth of household expenditures was fastest in the southern and middle agroclimatic zones of the country -- around 40 percent -- but much slower in the northern zone -- 17 percent. The southern zone has most of the industry and many export crops, and the middle zone is the well endowed "bread basket," while the northern zone is largely rural and agricultural with a fragile agroclimatic environment and a different socio-economic history. The slower growth in the northern zone, and long-standing lags in provision of health, education and other social services have resulted in proportionately more poor being in that agroclimatic region during the period 1985-92.

28. The regional perspective hides intra-regional variations especially of the extreme poor. Although nationally two states, Sokoto and Kano, accounted for nearly one-third of the bottom 20 percent of the population, a significant share of the population is in the bottom 20 percent in most states throughout the country. Extreme poverty is more pronounced in the rural areas of the northern zone, and in the urban areas of the southern

zone. During the period 1985-92, there were large declines in extreme poverty in some states in all three regions.

29. **Who is Poor**? Poverty in Nigeria, in addition to its overwhelmingly rural and regional characteristics, is also strongly influenced by education, age, and the nature of employment. Those without education account for most of the poor and an overwhelmingly large fraction of the extreme poor: 79 percent of the urban extreme poor, and 95 percent of the rural had only primary schooling or less. The PPA indicates that poor children commonly and increasingly do not attend school. They and their parents consider that the quality of education (particularly in rural areas) is very weak and that the prospect of education increasing employment prospects is minimal. Children therefore spend their time working and learning traditional skills which will enable them to secure a basic livelihood during adulthood. The bleak prospect is that poverty will be perpetuated and even expanded among the current generation of school age children.

30. **Gender**. The findings of the National Consumer Surveys confirm that while women play an essential and dynamic role in societal economic life, as a result of legal, regulatory and cultural structural barriers, they remain seriously disadvantaged in terms of equal access to health, education, financial and agricultural extension services. Among the measurable constraints for women are the median number of years of schooling for male/females in urban/rural areas which are 6/3 years and 0.9/0.7 years respectively, and nearly one-third of all adolescent girls are childbearing. Time budget analysis from the Participatory Poverty Assessment confirms both rural and urban women work 17-18 hours a day, with some flexibility for rural women due to crop seasonality. Of all households, polygamous ones -- 25 percent of all households in Nigeria, strongly represented in the north and middle zones and in both the rural and urban areas -- experience the greatest depth of poverty and have the highest poverty headcount of all household. However, it is striking that the female headed households which make up 10 percent of all households in Nigeria contribute only 5 percent to rural poverty and 8 percent to urban.

31. **Access**. An important characteristic of the poor in Nigeria is that they tend to be concentrated in poor communities. The findings of the PPA show that such communities are characteristically cut off from the benefits of development by the absence of access roads, either seasonally or altogether. Thus, roads and water supply emerge as top priority needs cited by the poor. In order to alleviate their poverty, communities engage in substantial self-help activities, often through locally organized groups, while households and individuals adopt a variety of coping mechanisms.

32. The poverty profile and the evolution of poverty between 1985 and 1992 show clearly that growth is fundamental to the reduction of poverty, but the composition of growth is also important. Also growth alone cannot overcome a number of important factors that contribute to poverty. Because of population growth, while the proportion of the poor in the population fell sharply between 1985 and 1992, the total number of poor remained relatively unchanged. Access to social services is a critical factor in

overcoming poverty, particularly primary education. Significant geographical and sectoral concentrations of poverty cannot be reduced unless the pattern of growth is changed so that the poor in urban and rural areas can share in the growth process. And, since poverty tends to be concentrated in poor communities, targeted efforts are needed, both to induce growth and to provide social services and infrastructure, if the depth and severity of poverty are to be reduced in all regions of the country.

33. **The Extreme Poor**. Marooned in communities that have limited roads, or grouped within the neglected sections of urban areas, the poor are identified by their limited access to food, to clothing, to assets, to health care, to education. While the economy grew between 1985-92, those with the lowest 20 percent of incomes became worse off. Through the PPA, the daily reality of the life of poor people is explored. Their negative and skeptical views of government programs which are designed to help them highlight the fact that these initiatives rarely succeed in reaching the intended beneficiaries: the projects have little community involvement in the selection and design, and their sustainability is weak; the quality of public health and education services are often so low as to be considered not worth the effort of participating; and although government efforts cover a wide range of services, the poor place the highest priority on water supply and rural roads. The poor focus on the struggle to survive, highlighting the importance of family networks; the special needs of single and childless women; the exploitation of leadership; extortionate credit schemes; disinterest of authorities; the initiatives that come with promises but no practical help. To address some of these concerns a fresh approach is needed. A start has been made, through the government's CAPPA.

Social Services and the Poor

34. **Access and Quality of Social Services**. Nigeria's education and health services expanded rapidly during the oil boom years 1973-83. Primary school enrollment increased from 6 million to 14.5 million and secondary enrollment from 0.7 million to 3.2 million. The number of federal and state universities increased from six to twenty-two. Physicians per capita increased more than fourfold and nurses per capita nearly seven-fold, and new hospitals and medical facilities were built. Much of this was the result of oil revenues channeled to the social sectors by the federal government. As government revenues shrank in the 1980s, however, expansion of the education and health programs came to a halt. Not only were capital investments suspended, resulting in much unfinished infrastructure, but recurrent expenditures were drastically reduced to levels that could not support such routine functions as the payment of salaries, supply of drugs and instructional materials, and maintenance of facilities. The result has been a sharp decline in the quality of social services.

35. In the health sector, doctors and nurses are poorly paid, poorly deployed, and poorly supported, and drug shortages are common. The PPA highlights that the dissatisfaction with government health care is increasing reliance on alternative systems such as traditional birth attendants and itinerant drug sellers. In education, gross

enrollment ratio for primary schooling declined from 93 percent in 1982/83 to 78 percent in 1990/91. Over 20 percent of children between age 6 and 11 in Nigeria are not enrolled in primary schools, and 80 percent of children between age 12 and 17 are not enrolled in secondary schools. Of children enrolled in schools, only an estimated 50 percent are likely to complete primary school. Moreover, a large number of pupils enrolled are not in class. The cycle of poverty is clear from the PPA: poor children in both urban and rural areas face time constraints associated with their need to work, as well as affordability problems and basic access; once in school, the facilities are often grossly inadequate, teachers' morale is low and standards unsatisfactory, and the children are tired and hungry which impacts on their concentration. Testing of children who have attended school with some regularity show they have learnt little and are generally not interested in school. Gender disparities are particularly evident in education where far fewer girls attend school than boys, and this is especially true in the northern zone. The qualitative assessments indicate that Koranic schools attract a more stable and attentive attendance.

36. The health and education status of Nigerians is poor relative to other developing countries, and impacts adversely on Nigeria's potential long-term rate of economic growth. Compared with Ghanaians, for example, Nigerians live a shorter life and their children have a higher probability of being malnourished and dying before age five. Under-5 mortality in Nigeria is unusually high among Sub-Saharan African countries; nearly 20 percent of children die before they reach five years. Each Nigerian woman bears about six children, the average for Sub-Saharan African. Compared to other large developing countries of the world, the total fertility rate of Nigerian women is twice that for Indonesian, Brazilian or Mexican women, while the illiteracy rate is approximately twice the levels in these countries.

37. **Regional Distribution of Social Services.** Social indicators are worse in rural than in urban areas and are lower in the northern agroclimatic region than in the southern. While the differences between urban and rural social indicators are large, they not as large as those between the northern and southern regions. Taken together, all rural areas in Nigeria show better social indicators than the northern region, which includes both urban and rural areas. This underscores the severe lag in the development of the northern region compared to the southern one. It also reflects the fact that rural areas in the northern zone are the poorest in Nigeria.

38. Health status indicators show that the northeastern and northwestern parts of the country have substantially higher under-5 mortality rates than the southern regions. Children in the northern zones also have a higher probability of being malnourished and suffering from diarrhea. Women in the northern region bear more children than women in the southern, and adolescent fertility is more prevalent in the northern areas. Regional health status reflects the lack of health services. A much smaller proportion of women in the north receive prenatal care or are assisted during child birth. A smaller percentage of children in the northern regions are vaccinated. Use of modern methods of contraception is more prevalent in the southern than in the northern region. These differences stem partly from differences in cultural traditions and religious practices, but also reflect

differences in the availability of services. Over 80 percent of hospital beds (government and private) are located in the southern region. Also, the public sector health staff is concentrated in urban areas. Thus, the health needs of the rural population, where most of the poor are found, are less well served.

39. Similar regional patterns are evident in indicators of education services. Primary and secondary enrollment ratios are much higher in the southern than in the northern regions. A larger proportion of girls in the south go to school than in the north. Over 40 percent of teachers in primary schools in the northern regions do not have appropriate qualifications, compared to 3 percent in the south. Household surveys show a much larger proportion of the population in northern areas have never attended formal schools -- 73 percent of the male population in the northwest, and 65 percent in the northeast, compared with 27 percent and 18 percent in the southeast and southwest, respectively. Of the female population in the northern region, over 80 percent have never attended schools, compared to 43 percent in the southeast and 30 percent in the southwest.

40. The regional and community profile of poverty in Nigeria shows that most communities, particularly in rural areas, are highly homogeneous in terms of the income level of their populations. The large differences in social indicators between the urban and rural areas, and between the north and the south, is thus partly due to the differences in the supply of health and education services, as well as other public services, such as safe drinking water, sanitation and transport infrastructure in poor and non-poor communities.

41. **Public Expenditure on Social Services**. Few public resources are devoted directly to providing social services to the poor. The problem is partly a lack of resources but also how these resources are allocated and managed. In 1990, estimated public expenditures on education and health services at all levels of government were about ₦ 13 billion, nearly 15 percent of total government expenditures, and 4.5 percent of GDP. These levels are not exceptionally low compared to other large developing countries e.g., India, Indonesia, Philippines, Thailand, and Mexico. But government funds have been erratic, fluctuating largely with oil revenues. More importantly, resources have not been used efficiently, resulting in serious deterioration in the quantity and quality of services and minimized benefits for the poor. Tertiary services absorb a disproportionately high proportion of government financing in both the recurrent and capital budgets for health and education. A very high percentage of recurrent expenditures is absorbed by personnel costs, leaving little for essential drugs, textbooks or maintenance of existing facilities and equipment. There is also little transparency and accountability for the use of funds for social services at all levels of government. At the state and local levels, records are poorly kept and do not account for funds transferred from the federal government. There is also little evidence of taxpayer concern over the quantity or quality of services, possibly because local taxes contribute little to revenues. Attempts to keep track of state and local finances are made more difficult by the creation of new states and local governments -- the number of states increased from 21 to 30, and the number of local governments from 453 to 589 between 1989 and 1991. The roles of different levels

of government in the provision of services, overlapping responsibilities and constant shifts of functions between one level of government and another have further compounded fiscal inefficiencies and make it difficult to assess total expenditures in the social sectors.

Achieving Growth with Poverty Reduction

a. A Proposed Strategy

42. A successful poverty reducing strategy in Nigeria will require a strong and focused emphasis on economic growth, increased access to social services and adequate infrastructure, and targeting.

43. **Economic Growth.** The growth and poverty reduction experienced between 1985 and 1992 shows that modest growth on its own only brought about a small reduction in the *number* of poor people, although the *proportion* of the total population in poverty was reduced significantly. This reflects Nigeria's high population growth rate, uneven distribution of economic growth, and sensitivity of poverty reduction to the composition of growth.

44. Simulations of alternative growth scenarios show that if economic growth were at an annual rate of 2.0 percent, in ten years' time the number of people living in poverty in Nigeria would double from the 1992 total, and half the population would be below the poverty line. Rates of growth of at least 5 percent would be required to reduce the *proportion* of the poor population. Moreover, increased focus on the urban areas would be necessary, as the share of the population which is urbanized continues to expand.

45. To gradually reduce the number of people in poverty, growth must not only be rapid but also broad based, export enhancing, and employment generating. Such growth can be achieved by emphasizing the expansion of non-oil sources of growth -- agriculture, small and medium scale industry, solid minerals (small scale mining), agro-processing, services and construction.

46. The government's objectives should be to achieve growth with equity to create wider sources of non-oil growth, to support the private sector as the engine of growth, to define the role of the state as an enabler rather than a competitor, and to reduce poverty. To generate such growth, Nigeria will need to remove price distortions, continue to liberalize the trade regime, and invest in technology and physical capital. Existing laws and regulations need to be reviewed and revised to shift the role of the state to a facilitator instead of doer. The government would need to focus its efforts on the policy aspects of improving the quality of its human resources and rely more on the informal and formal private sector to increase capital investment. Land tenure laws and property rights play a key role with regard to farming, mining, and manufacturing and are, thus an important area of attention. The monopoly of state enterprises would need to be eliminated either through privatization or free entry into sectors formally reserved for such enterprises. Likewise, if people are to invest, then they will need improved access to

credit, technology, and materials. Finally, to provide an incentive to increase output and incomes, people need access to markets -- both domestic and external. An increase in the number and quality of rural roads, to move goods between farms and the cities, is therefore vital.

47. **Access to Social Services and Infrastructure.** Sustained long-term growth depends critically upon increasing the access of poor people to quality social services and essential infrastructure in order to enable them to increase their human capital and make full use of their main asset, namely their labor. Key priorities are health, education, water supplies and sanitation, rural roads, and urban transport. This requires an increase in funding in order to expand the number of facilities, to increase the number of rural roads to connect poor communities with existing facilities, and to improve service at each facility. Increasing the supply of, and access to, potable water is an important poverty reducer, not only because of the health benefits but also because many household members (mainly women and children) spend significant amounts of time seeking good water when they could be free to engage in other gainful activities. Affordable and timely mass transportation is important in the urban context in order to provide people with access to jobs and to markets. Access could be made sustainable through increased community participation in the development and maintenance of infrastructure and provision of services.

48. **Targeting.** Targeted resource transfers for those who remain in poverty should complement the focus on growth and access. The government can target the delivery of some services and resources to reach poor areas and communities living in poverty, building on existing community-based organizations wherever possible. Within these areas, households whose heads have no schooling and the self-employed should be preferred for targeting.

b. Public Sector Capacity and Accountability

49. The effectiveness of the strategy outlined above will depend critically upon increasing the institutional capacity and degree of accountability within each level of government. In this regard, four key issues need to be addressed: role of the public sector, transparency and accountability, inter-governmental coordination, and the administrative capacity for planning, budgeting, implementing, and monitoring.

50. **Changing the Public Sector Role.** Limitations on government resources highlight the need for government to rely more on the private sector, NGOs, and community-based organizations (CBO) to undertake activities for which they are better suited. This will require a reorientation away from direct government provision of some services and toward demand-driven policies which facilitate rapid private sector growth. Institutional accountability, capacity, and inter-governmental coordination must be strengthened at all levels of government. NGOs and CBOs will also need substantial strengthening to contribute meaningfully to equitable development.

51. **Transparency and Accountability.** If the government is to facilitate rapid private sector growth and to improve the composition of growth, then it will be important to know what and where the problems are. Yet, at present, there is no functioning mechanism for evaluating the level and quality of services desired by, or provided to, Nigerian citizens. A method for setting and monitoring targets for service delivery is also missing. If the Planning, Research, and Statistics (PRS) departments of each ministry were to set and monitor goals, as mandated, then Nigeria would have the beginnings of a good system of accountability. To support this effort, each ministry needs to develop effective financial and information management systems.

52. New mechanisms for determining and measuring the needs of the citizenry would further strengthen government accountability. The PPA has shown the necessity for understanding local situations if development efforts are to be effective and sustainable. Project planning must be based on locally perceived needs and implementation preferences, rather than on a blueprint developed at a higher level, or even at the Local Government Authority (LGA) level.

53. **Inter-governmental Coordination.** Many of the most important elements of the poverty alleviation strategy, such as primary health care, primary education, and rural roads are largely state or local government responsibilities. This implies a need to examine the roles played by each level of government. The current distribution of responsibilities does not preclude the possibility that the provision of essential services could be improved through better coordination between levels of government or through resource transfers from one level to another. Some of the key issues which need to be addressed include: the degree of clarity in the assignment of tax and expenditure responsibilities for each level of government; the degree of balance between control by, and accountability to, central government versus local communities; the degree of balance between the assignment of responsibility, administrative capacity, and knowledge; and the ability to monitor the quality and adequacy of services delivered.

54. **Planning, Budgeting, Implementing, and Monitoring.** Administrative capacity has been identified as a key factor in coordination of the delivery of essential services. Recent reviews of the federal, state, and local governments have identified weakness in the areas of planning, budgeting, implementing, and monitoring. The government has made progress in specifying macroeconomic goals and has articulated strong sector policies (i.e. for health, education, population) but priorities and the basis for identifying them are poorly developed, and implementation is weak. Goals need to move from broad themes to measurable results. The government also needs to do more to evaluate the alternatives for achieving each goal in terms of affordability and the best value for the money on an annual basis. The planning and budget process also affects implementation: programs often fail due to inadequate funding or from a general breakdown of infrastructure; the current budgetary approach separates, rather than links, recurrent and capital needs in the approved budget, and excludes the recurrent budget from the rolling plan. New projects are frequently planned without regard to financing and maintenance requirements. A bigger obstacle in improving the delivery of services is a general lack of

knowledge about actual performance as opposed to targeted performance. It is difficult to determine if targets were met and whether the cost of meeting the target was above or below expectations, due to the poor monitoring capacity of most ministries and offices at all three levels of government. At the federal and state levels, this function has been delegated to the PRS departments. In general, these departments are under-funded, under-staffed, and under-utilized with poorly trained staff. Rectifying this situation would be a useful first step towards improving budget implementation and monitoring.

c. Partnership for Poverty Alleviation

55. Nigeria now faces three inter-related development challenges that are key to welfare improvement for the general population and to poverty reduction in particular. *First*, it has to establish a viable and stable macroeconomic framework and to streamline the incentive regime. *Second*, it needs to downsize the public sector, and establish an enabling environment with accountability and transparency. *Third*, it needs to adopt sectoral policies and re-arrange priorities in public expenditures to promote efficient economic growth, increase productivity and target the poor. These challenges point to the need for Nigeria to make a fundamental shift away from policies and institutional arrangements that promote rent-seeking toward policies, programs and institutions that promote efficient, sustainable, and broad based growth and job creation.

56. To address these challenges, there is a broad consensus within Nigerian communities that a new partnership approach to poverty reduction is needed. Participation in the planning and implementation processes needs to be widened and deepened. This can be achieved through the formation of new arrangements with community-based and non-governmental organizations. These organizations and their leaders generally share the values of their constituencies and retain their confidence. They are known by their behavior in a way that government officers, even at the LGA level, are not. While their knowledge of their communities needs to be tapped, their ability to render assistance can also be amplified through the provision of financial resources and training.

Where Can Nigeria Go from Here?

57. In this report it is noted that Nigeria's development is something of a paradox. The country is rich but the people are poor. This paradox is especially evident because a vast windfall of oil wealth has produced such meager results. But the fact is that Nigeria is rich in land, people, and oil and natural gas resources. The latter two will generate continuing wealth on which Nigeria could build, if it manages this wealth well. Effective resource and economic management are essential. A growing economy is a must. Stabilizing its volatile oil-gas wealth is also necessary. The private economy needs to carry the burden of productive enterprise in an open and competitive environment, while the government needs to focus on providing that open environment, using its vast resources to raise its people to a higher level of human development and welfare, and ensuring that the most vulnerable also have a role to play. The government needs to

make a firm commitment to place poverty alleviation at the forefront of its development strategy, to provide effective resource management and policies which can support a stable and growing economy, thus enabling Nigeria to take its place in regional leadership.

1. THE MACROECONOMY AND THE POOR

Nigeria experienced two positive oil price shocks during the 1970s which sharply drove up real GDP and real consumption per capita. However, as real oil prices plummeted after 1980, real per capita incomes and real per capita consumption fell back to their 1970 levels. Since 1973, over US$200 billion have been invested in the country, most of this originating from the oil bonanza. But these investments showed little or no returns, and they, and an expanded program of social services, could not be sustained once the oil bonanza came to an end. When oil prices collapsed, the government continued spending as if these declines were transitory, but economic activity and incomes dropped continuously until the mid-1980s. These developments inevitably necessitated many painful adjustments. Some, in the agricultural sector, began in the early 1980s. Then, the economic reform program launched in 1986 corrected a number of policy distortions. In response, output, real per capita income and real per capita consumption expanded until 1992. The share of the population living in poverty decreased by 9 percentage points between 1985 and 1992. However, popular expectations of a quick return to the earlier high levels of income could not be met, and this, together with an erosion of economic privileges associated with the oil wealth and of prior economic policies, led to a weakening of support for reform. Beginning in late 1990, Nigeria abandoned many of its reforms, resulting in increased domestic and external imbalances, inflation, and declines in output, real incomes, and real consumption. These trends were aggravated in 1994, when Nigeria returned to controls on foreign exchange and credit markets but the policies introduced in the liberalizing budget of 1995, if broadened and sustained, should return the economy to a growth path.

1.1 This chapter analyzes changes in macroeconomic policy and performance during the 1971-95 period, and the impact, in broad terms, of these changes on welfare and poverty. Within this longer-term perspective it focuses on how macro-economic policies affected poverty during the period 1985-92 period, which corresponds to that in the poverty profile in Chapter 2. This chapter is particularly concerned with changes in broad economic aggregates, such as per capita income, expenditures and consumption, and how these were influenced by the impact of sharp increases and contractions in oil revenue as these were managed through the exchange rate, fiscal, monetary and investment policies that were followed by the government. It also demonstrates how these policies influenced the performance of different sectors in the economy. It gives special attention to the impact of government investments on productivity (mostly negative) and shows that, after rising sharply in the first half of the 1970s, with the first oil price increases, real wages declined steeply over the entire period from 1974 to 1994 as a result of slow growth in productive sectors coupled with declines in productivity.

A. INTRODUCTION

1.2 Nigeria's economy is characterized by a large rural mostly agriculture based traditional sector, which encompasses about two-thirds of the population living in

poverty, and by a smaller urban capital intensive sector, which has benefited from the exploitation of the country's resources and from the provision of services that successive governments have provided.

1.3 As in many African economies, the rural, traditional, mostly private agricultural sector is characterized by small-scale, poor farmers and by informal traders. The formal capital intensive sector is epitomized by few multinational firms, a multitude of small local industries, and by a myriad of government parastatals in most areas of economic activity. The formal urban capital intensive sector is a vital source of foreign exchange for the economy and of revenues for the government. The jobs are better paid and more secure, but scarce. Employment in this sector has not grown much in recent years.

1.4 This duality[1] arose in large measure from domestic policies that steered most investment -- physical, human, and technological -- into a few already capital intensive sectors of the economy. The benefits of government and foreign investment have only reached a relatively narrow strata of the population, while the majority of the people have not benefited from higher productivity or increased real wages. Nor have they been able to obtain a quality education or to gain adequate experience with modern technology, which would enhance their earning capacity. This duality has produced some fortunes but it also left a substantial portion of Nigeria's population in poverty.

1.5 A fundamental problem with Nigeria's past pattern of development has been that the incentive regimes which prevailed for most of the past two decades have tended to favor the urban modern sector to the detriment of the traditional rural sector, consistently worsening the domestic terms of trade of the latter. Moreover, economic and social policies, have clearly accentuated poverty in some regions more than others. The southern and middle agroclimatic zones are better provided with infrastructure and social services than the northern -- in part reflecting a more active private sector. More of the doctors, nurses and hospitals are in the south and to a lesser extent the middle zone, and the south also has better and more schools. Given the geography of Nigeria, the southern zone also has had a longer exposure to economic development and to modern international links. Nevertheless, poverty is pervasive -- to differing degrees -- in all three regions, and within all states.

1.6 A sharp contrast thus exists between the lower income, capital starved, largely rural and informal sectors, and the capital intensive, higher wage urban sectors. The challenge for Nigeria is not one of improving one sector or region at the expense of another, or of introducing policy distortions and inefficiencies in resource allocation to benefit any one group, but to adopt growth and social service oriented policies that will enable all its inhabitants to improve their welfare. Such policies would support the switching of public expenditures away from activities which the private sector is well

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[1] See W. Arthur Lewis, "Economic Development with Unlimited Supplies of Labor," Manchester School 22 (May 1954), for a discussion of dualistic economic development.

equipped to undertake, and toward those that emphasize the development of human capital, and underpin the foundations for more rapid and sustained growth.

B. Overview Of Changes In The Economy And In Poverty, 1971-95

1.7 Poverty has been a long-standing issue in Nigeria. While income data are sparse, historically low social indicators highlight poor living conditions that have existed for decades (see Chapter 2). A thorough understanding of poverty in the country requires an analysis of its evolution over the past two or three decades and an assessment of how economic policies have impacted on it. While this assessment identifies some of the major policy changes which took place during these earlier years and their probable impact on poverty, lack of comprehensive and comparable data for the years before 1985 make it difficult to be precise about the impact of these developments on poverty, particularly the large inflow of oil revenue.

Box 1.1: Earlier Attempts to Measure Poverty in Nigeria

Because different methods were used to estimate poverty lines and the proportion of the poor, earlier studies do not lend themselves to systematic comparisons. Some are based on a few selected states; others on broader surveys, but these lack key information. Some are based on food poverty lines, while others on basic needs or other criteria. These studies -- focusing on data from the 1970s, 1980s, and early 1990s -- mostly suggest that national poverty has varied between 33 and 50 percent, which is similar to the results obtained in this analysis. The studies cited below include indicators from past studies and their poverty estimates. They also analyze poverty on a household rather than per capita basis. The poverty profile in this report provides a national profile of poverty by states and socioeconomic groups, and per capita, which earlier studies were not able to do.

		----Poverty Line[a]----				
		Urban	Rural	National	Urban	Rural
Study	Date	Households		Poor (%)	Poor (%)	Poor (%)
Bevan et al 1988	1983/84	-	-	-	-	17/58 [b]
Rouis, 1980	1978	4527	2247	48	35	55
Rouis, Food Poverty, 1980	1978	4527	2247	33	20	40
ILO, 1982	1978	2304	1241	38	33	40
Stewart, 1985	1978	4324	-	44	50	40
ILO-Mission, 1982	1979	2558	-	-	-	-
World Bank, Mission	1980	2086	-	-	-	-
Ade-Lawal	1986	1429	-	-	-	-
Oyejide	1988	1319	1055	-	-	-
Kogbudoku	1988	1649	-	-	-	-
Food Security	1989	1971	1314	18	22	17
UNICEF	1992	4000	-	50	-	-

a/ Poverty Lines in 1985 Naira (Composite CPI), per household per annum.
b/ 17 percent extreme poverty and 58 percent moderate poverty.
Source: *Evolution of Poverty and Welfare in Nigeria 1985-92*, Background Paper, by Sudharshan Canagarajah, John Ngwafon and Saji Thomas, April 1996.

1.8 There have been many attempts to measure poverty in Nigeria in the past (see Box 1.1). While each throws light on important issues, all lack a consistent and deep statistical base on which to fully analyze the many facets of poverty. For these reasons, and because of the tumultuous events that Nigeria has experienced in terms of changes in income, population and economic performance, it is difficult to compare these studies.

Nevertheless, most estimate the share of the population in poverty at between 35 and 50 percent, which is broadly consistent with the results of the analysis in this report.

1.9 As a guide to the discussion which follows, major changes in welfare and poverty between 1971 and 1995 can usefully be summarized into the following periods:

- **1971 to 1975**: With the first positive oil shock in 1973 there was a dramatic positive impact on most indicators. Real per capita incomes and per capita private consumption rose sharply between 1973 and 1974, and there was a dramatic increase in real wages, particularly in the non-agricultural sector. Clearly, welfare improved sharply for many Nigerians and poverty declined during this period.

- **1975 to 1980**: The picture is mixed and the welfare and poverty implications are harder to identify. Average real per capita income continued to rise rapidly until 1980, but private consumption per capita remained stable except for a brief rise in 1978. Real wages in agriculture continued to rise until 1976, after which they remained relatively constant until 1980. But there was a sharp fall in real wages in the non-agricultural sector. After reaching a level nearly five times the rural real wage in 1974, non-agricultural real wages fell to less than twice the rural wage by 1980. The rapid expansion of social services during these years may have contributed to some overall improvement in welfare but the proportion of people in poverty probably did not decline significantly.

- **1980 through 1985**: There was clearly a serious deterioration in welfare and an increase in poverty during this period. Average per capita income plummeted after 1980 as did private consumption per capita after 1981. Real wages in both agriculture and non-agriculture fell after 1980, and by 1985 were identical, wiping out the large differential between the two that had existed for decades. There is no question that the welfare for many Nigerians fell sharply throughout this period and that poverty also increased. However, toward the end of this period, a supply response from agriculture began which generated increased revenue for the rural sector.

- **1985 to 1992:** There was a sharp recovery in the economy fostered by policy reform with some broad based features; mean per capita household expenditures increased by 34 percent and the share of the population living in poverty declined by 9 percentage points. But real incomes did not even get close to their 1980 levels, nor did real per capita private consumption. Those in the poorest quintile were worse off. Real wages in agriculture and non-agriculture fluctuated but remained low. Thus, while poverty was reduced, the welfare of many Nigerians remained below what it had been in 1980.

- **1993 to 1995:** With a reversal of policies, economic growth again slowed, incomes and welfare declined and poverty undoubtedly increased. Real wages in agriculture and non-agriculture have fallen significantly, since 1987 for

agriculture and since 1990 for non-agricultural workers. By 1994 real per capita income, real per capita consumption and real wages were all lower than they were in 1971. Thus, in 1995 welfare was probably lower and poverty probably higher than in the pre-oil boom years of the early 1970s.

1.10 **Income and Consumption.** Throughout most of this report, household *income* refers to money received by members of a household. Examples include wages from employment, farm income, or remittances. Per capita household income refers to total household income divided by the population within a group of households in a geographic area such as a state or all of Nigeria. Household *expenditure* refers to all household expenditures on goods and services. Examples include food, shelter, and medical expenses. Per capita household expenditure refers to total household consumption divided by the population within a group of households. Accurate expenditure data are usually easier to obtain than income data. Household incomes and expenditures generally do not match as households save or dis-save some of their income in order to build their wealth or maintain certain levels of expenditure.

1.11 These household concepts differ from *national income* accounting definitions of income and expenditure. Gross domestic income is defined as the sum of sales of all final goods and services produced by a national economy. This excludes the goods and services which are used to produce the final goods: the sale of flour to make bread would, for example, be excluded. *National consumption* measures the consumption of all final goods and services made available from both domestic and foreign sources but excludes the purchase of capital goods such as new buildings or machinery. Thus, while there is broad congruence in trends between household and national measures, there is no requirement that they should move in lock-step.

C. THE EARLIER YEARS, 1971-85

1.12 Many significant events before 1985 affected the economy and poverty, none more importantly than the management of oil revenues. The positive oil shocks of 1973 and 1979 multiplied the terms of trade more than five times between 1973-81 (see Figure 1.1). The huge inflow of oil revenues were spent as if the exceptional oil price increases of the 1970s were permanent. The spending of the oil revenues drove real per capita income in 1987 prices up from ₦ 1,300 in 1972 to nearly ₦ 2,900 in 1980 (in current US$ of the time, from US$280 to US$1,100) (see Figure 1.2). After 1980, oil revenues collapsed and real per capita income dropped precipitously. However, movements in real per capita private consumption during these years were much less marked. With the exception of 1973-74, 1978 and 1980-83 real per capita private consumption has been remarkably flat.

Figure 1.1: Terms of Trade and Real Oil Prices, 1971-92

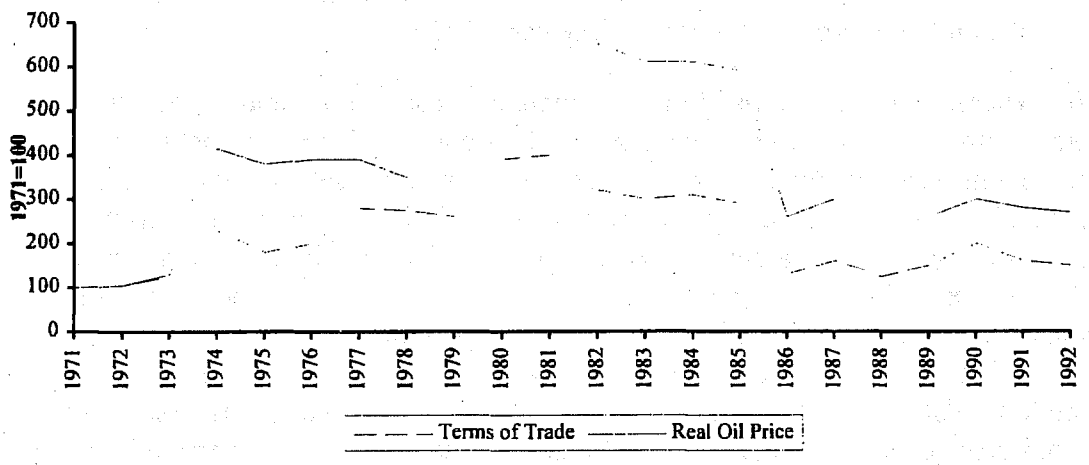
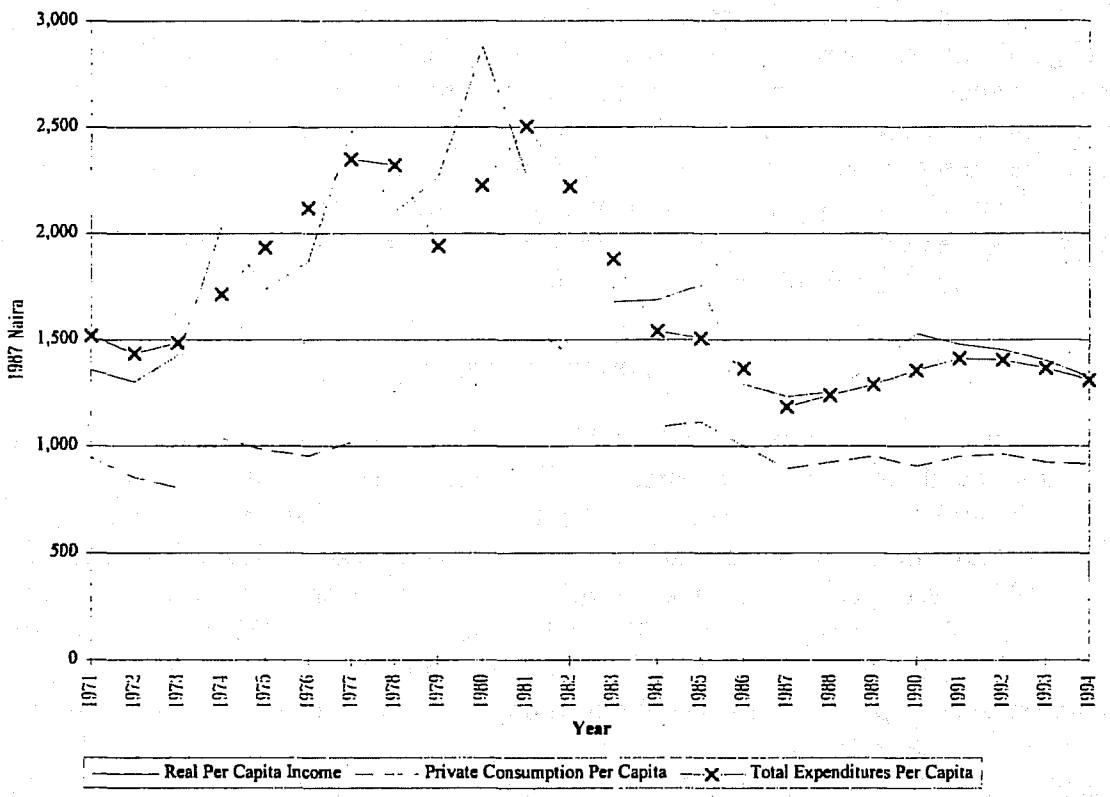


Figure 1.2: Terms of Trade and Real Oil Prices, 1971-92



1.13 The agricultural sector, where the bulk of the population earn a living, has experienced a similar erratic course of growth. During the period of the oil boom the naira appreciated, agricultural exports plummeted by nearly 50 percent in value, and by over 50 percent in volume. Although domestic production of staples fared somewhat better than cash crops, there was a 15-fold increase in import of cereals (primarily rice

and wheat) compared to a 12-fold increase in total merchandise imports. The sharp rise in revenue from oil also stimulated an increase in demand for animal products met largely by imports. Employment opportunities during the 1970s increased rapidly in urban areas, where the government was undertaking large investments in manufacturing and infrastructure. Construction also expanded rapidly with the building of roads and highways. At the same time, cheap food imports, encouraged by an appreciating real effective exchange rate, reduced the demand for domestically-produced root crops and grains, while the appreciation of the naira made tree crop cultivation unprofitable. With the domestic terms of trade turning against the rural sector, the net result was a steady migration of labor from rural to urban areas.

1.14 A study by Jamal and Weeks (1988) throws particular light on the possible movements of poverty during the oil boom years. Its conclusions parallel those of the analysis of declining real wages in Nigeria in this assessment: that the poor benefited little or not at all from the vast expansion of oil revenue.

Box 1.2: Did the Poor Benefit from the Oil Boom?

During the 1970s urban wage earners improved their position only temporarily compared with farmers, and lost considerable ground compared with other urban groups. Since the rate of rural-urban migration during the decade exceeded the rate of growth of formal sector employment, it is extremely unlikely that incomes in the urban informal sector grew. (A study by Jamal concluded that these incomes in fact fell). There is little doubt that the "winners" from Nigeria's windfall of oil revenues were the professionals and formal sector entrepreneurs (particularly the latter, who benefited also from tariff protection). Falling urban real wages and declining or stagnant incomes in the informal sector resulted in an increase in urban poverty from 33 percent of households in 1973 to 38 percent in 1978.

Estimates of Rural and Urban Incomes in Nigeria, 1973-79
(measured in 1977-78 naira per annum)

Income Category	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Rural						
1. Average family income	733	773	731	724	715	725
	(100)	(105)	(100)	(99)	(98)	(99)
Urban						
2. Average family income	2520	2024	2809	3062	3128	3378
	(100)	(80)	(111)	(122)	(124)	(134)
3. Average unskilled wage	780	1388	1100	926	810	741
	(100)	(178)	(141)	(119)	(104)	(95)

Source: *The Vanishing Rural-Urban Gap in Sub-Saharan Africa*, Vali Jamal and John Weeks, International Labour Review, Vol. 127, 1988, No.3, p.271

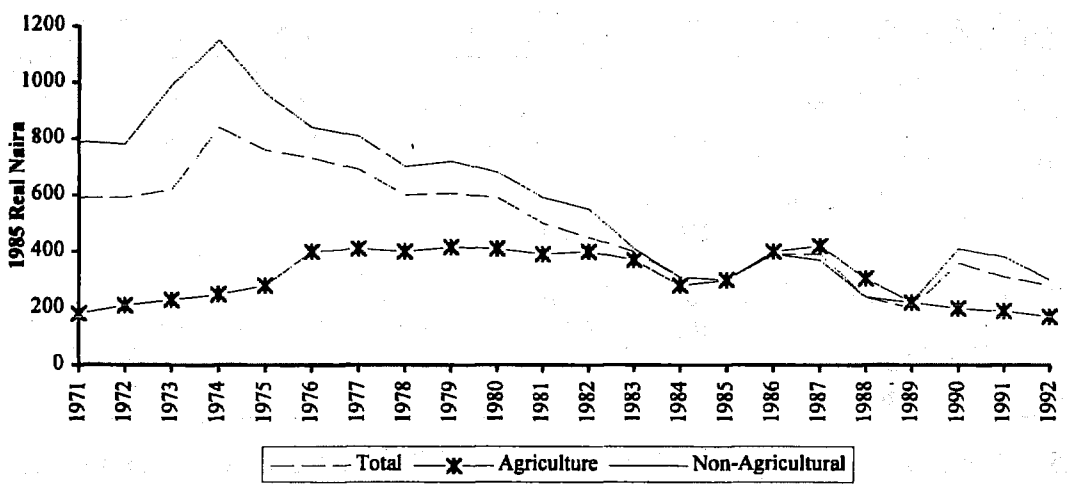
1.15 The sharp decline in petroleum prices in 1982 resulted in a decline in economic activity. However, the real effective exchange rate continued to appreciate, the agriculture sector remained weak, and large scale food imports continued. The creation of new states expanded construction activities in new state capitals, which attracted agricultural labor; this further accentuated the ongoing rural-urban migration problem. The decline in economic activity through the mid-1980s made it difficult to absorb the fast-increasing labor force, with a sharp increase in urban unemployment—from

7 percent in 1983 to 10 percent in 1986. Secondary school leavers and university graduates also experienced significant increases in unemployment. From a net producer of agricultural products in the 1960s and early 1970s (e.g., the world's largest exporter of groundnuts and second largest exporter of cotton, and a major exporter of crops such as cocoa, palm oil and kernels, and rubber), Nigeria became a net importer of agricultural commodities, especially of food.

1.16 Agriculture began to recover in the mid-1980s. The dwindling oil revenues and cuts in imports through import bans, coupled with a sharp rise in food prices occasioned by the 1983 drought, spurred a supply response leading to a partial recovery in 1984 and a boom harvest in 1985. Though the 1983 drought was nationwide, it likely had a more severe impact on the arid north which is more prone to weather hazards with its primarily rain-fed agriculture. The sustained supply response in the sector which then followed was stimulated by the improved profitability arising from the depreciation of the real effective exchange rate.

1.17 During the early 1970s, and in response to these various economic developments, real wages increased significantly in both the agricultural and nonagricultural sectors (See Figure 1.3). But after 1975, non-agricultural wages fell dramatically when the labor supply increased sharply in non-agricultural activities following the steady migration to urban areas; while agricultural wages stabilized in real terms following the decrease in agricultural labor supply, in the early 1980s they too began to decline. As a result the gap between non-agricultural and agricultural wages that had widened during the oil boom period gradually eroded and by 1985 had disappeared.

Figure 1.3: Real Wages, 1971-92



1.18 How did the poor fare during this period? During the first half of the 1970s some groups benefited from the two oil booms and poverty may have declined somewhat as a result of the rapid growth in employment opportunities and the increases in real wages. But during the second half of the 1970s and the first half of the 1980s employment

growth slackened, real wages declined and after 1980, private consumption per capita also declined. In all likelihood, poverty probably did not decline during the remainder of the 1970s and certainly increased during the early 1980s.

1.19 **Oil - A Mixed Blessing**. It is important to be clear about why the large inflow of oil wealth had so little lasting benefit. It was not the oil resources themselves that were the problem, but the management of those resources. As some other oil exporting countries have found out, a dramatic increase in revenues from a product such as oil, when not managed carefully, produces what has come to be called the "Dutch disease" (see Box 1.3). This phenomenon has adverse repercussions in other sectors of the economy. The disease is most pernicious when the revenue increase that started the problem reverses itself. Lack of flexibility in the shifting of resource flows compounds the problem. The increase in revenues causes an appreciation of the real effective exchange rate, which changes the relative profitability of traded vs. non-traded goods. Non-traded goods (mostly public services) are encouraged and traded goods production (mostly agriculture) is discouraged. If oil revenues fall, as they did dramatically in Nigeria between 1980 and 1986, the economy is left with a highly capital intensive production structure that cannot pay for the new, higher level of imports.

1.20 These developments took place in Nigeria in the 1980s. With the mismanagement of the oil resources, the real exchange rate appreciated five-fold and the relative profitability of domestically produced and resourced goods fell (see Figures 1.4 and 1.5). Thus, the absence of appropriate policies to address the "Dutch disease" accentuated the terms of trade disparities between the urban and rural sectors, increased poverty in the rural areas because of choked-off agricultural production and of increased imports, and increased income disparities in the urban areas, where those who could capture the benefits of distorted policies fared better than others.

1.21 Added to the "Dutch disease" was what came to be called the "Nigerian disease,"[2] where so much labor was sucked out of the rural sector into non-tradable production by relatively higher wages and job opportunities in the urban sector (see Figure 1.3), that agriculture was further constrained by the absence of sufficient workers[3]. Excessive mechanization of agriculture by better-off farmers, due to subsidies and underpricing of capital goods, reduced the longer-term employment possibilities in rural areas. Misallocation of resources in agriculture also included the construction, but not completion, of huge irrigation dams, which drew capital into agriculture, but produced few production benefits. Although the authorities attempted to compensate for the distorted domestic terms of trade through fertilizer and interest rate subsidies, these actions led to further inefficiencies in resource allocation, which tended to benefit large, better-off farmers but not small-scale traditional farmers -- who became poorer.

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2 Paul Collier, *Macroeconomic Effects of Oil on Poverty in Nigeria*, IDS Bulletin, 1987, Vol. 18 No. 1, Institute of Development Studies, Sussex.

3 Kevin M. Cleaver and Gotz A. Schreiber, *Reversing the Spiral - The Population, Agriculture, and Environmental Nexus in Sub-Saharan Africa*, World Bank, Washington, D.C, 1994.

Box 1.3: Dutch Disease and Oil in Nigeria

"Dutch disease"[1/] is an economic phenomenon in which a sharp increase in the output and revenue of one product in an economy has adverse repercussions in other sectors of the economy. The disease is most pernicious when the revenue of the product that started the problem reverses itself, and the economy is left high and dry with an inappropriate composition of output. Immobility of resource flows will compound the problem. In technical terms, "Dutch disease" occurs when a rise in output and revenue of a product such as oil, leads to an appreciation of the real effective exchange rate (REER). This appreciation can be caused by a rise in the domestic price level relative to foreign prices with a fixed nominal exchange rate, or by an appreciation of the nominal exchange rate, or by some combination of these events. The appreciation of the REER changes the relative profitability of traded and non-traded goods production. Specifically, non-traded goods production is encouraged, and traded goods production is discouraged. If oil production subsequently falls, the economy is left with a production structure that cannot generate sufficient export revenues to pay for the new, higher level of imports.

Nigeria provides a classic case study of "Dutch disease." Petroleum production constitutes about 34 percent of GDP, over 97 percent of total exports, and 80 percent of budgetary revenues. The oil boom of the mid to late 1970s financed massive increases in public investment. These were designed to raise the economy's productive capacity and human capital. But many of the investments were undertaken without sufficient attention to their economic viability and sustainability. In addition, shifts in the terms of trade, together with excessive government spending, undermined the country's non-oil export base in cocoa, groundnuts, and cotton, and raised the prices of non-tradables. When oil revenues fell in the aftermath of the decrease in oil prices and of the rise in international interest rates in the early 1980s, the government instead of cutting its expenditures, increased borrowings abroad to sustain them. As a result, the country's foreign debt accumulated, and sizable arrears on trade payments emerged. The table below shows how the composition of non-oil GDP changed over this period. With the sharp increases in oil prices, the share of non-oil GDP fell to 70 percent in 1975 and to 67 percent in 1980. In terms of structure, the agriculture sector fell most sharply by 1980.

With a further collapse in oil prices in 1986, the government adopted an economic reform program, which combined exchange rate and trade policy reforms aimed at revitalizing the non-oil economy with stabilization policies designed to restore price stability and balance of payments equilibrium. The reforms emphasized downsizing the public sector and improving the efficiency of public asset management. Import licenses and the agricultural marketing boards were eliminated, price controls were lifted, and the deregulation of the banking system was initiated. The restructuring of domestic production and the liberalization of the incentive regime led to a resurgence of agriculture and manufacturing.

In 1990, increased international prices (associated with the Gulf war) fueled higher spending, which continued following their subsequent collapse, resulting in large overall fiscal deficits. Mirroring earlier periods, the "Dutch disease" symptoms intensified with a fall in the non-oil tradable sector in 1994 to just a little above two-thirds its 1970 value.

Composition of Non-Oil GDP, Nigeria, Selected Years, 1970-94
(in percent)

Year	Non-Oil GDP/GDP	Non-Oil Tradable Sector/Non-Oil GDP			Non-Tradable Sector/ Non-Oil GDP Total
		Total	Agriculture	Manufacturing	
1970	75.2	74.3	68.1	6.2	25.7
1975	70.3	65.5	57.6	7.9	34.5
1980	67.2	57.7	48.6	9.1	42.3
1985	72.2	61.4	48.1	13.3	38.6
1990	75.6	57.5	45.4	12.1	42.5
1994	77.4	54.8	44.0	10.8	45.2

Source: World Bank Economic and Social Data Base.

[1/] In the 1960s, the Netherlands had a large influx of foreign exchange arising from the discovery and subsequent development of natural gas deposits which caused the real exchange rate to appreciate and reduced the competitiveness of other exports. Hence the coining of the term "Dutch Disease."

Figure 1.4: Real Official Exchange Rate and Non-Oil Exports, 1970-94

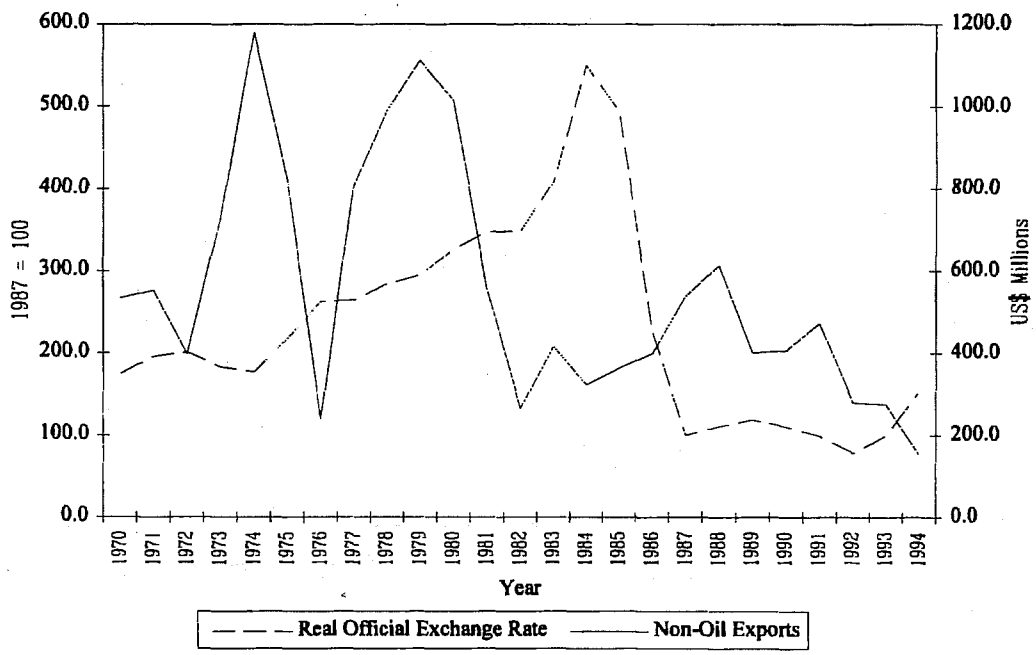


Figure 1.5: Real Parallel Exchange Rate and Non-Oil Exports, 1970-94

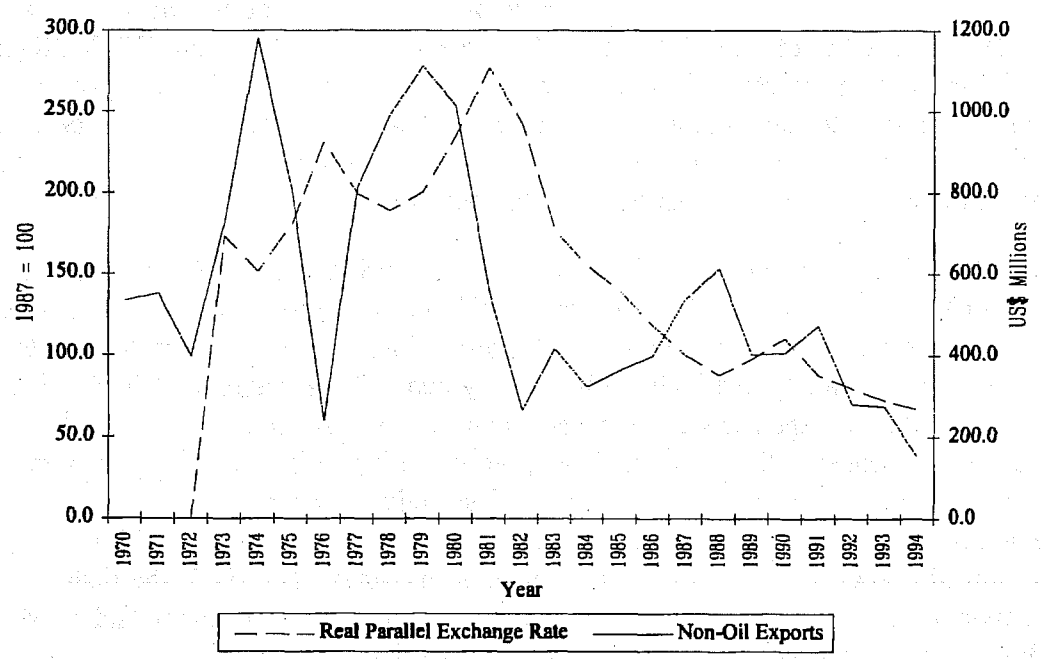
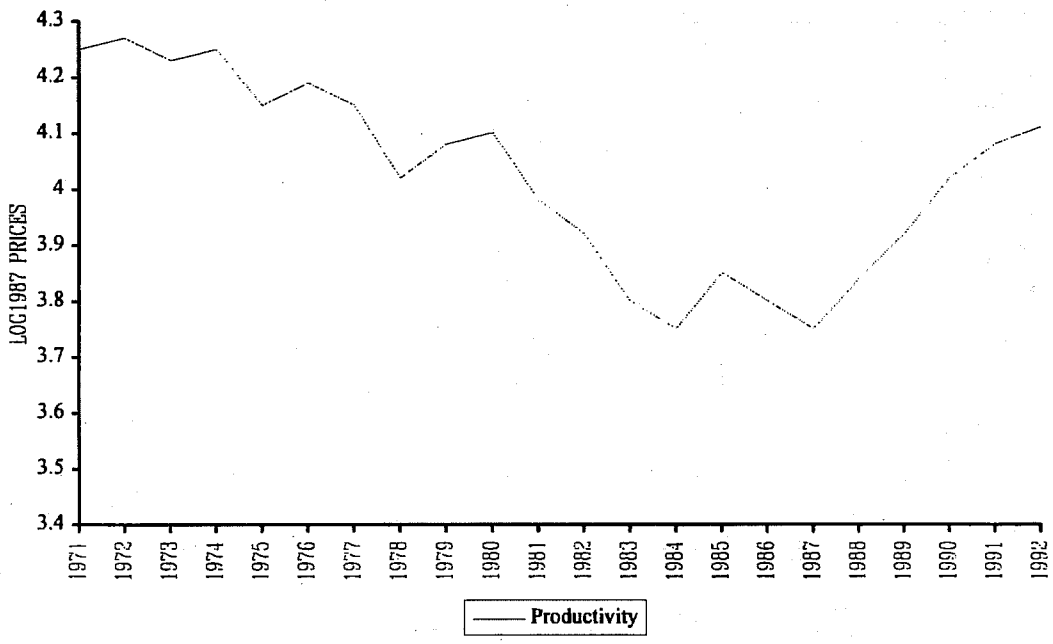


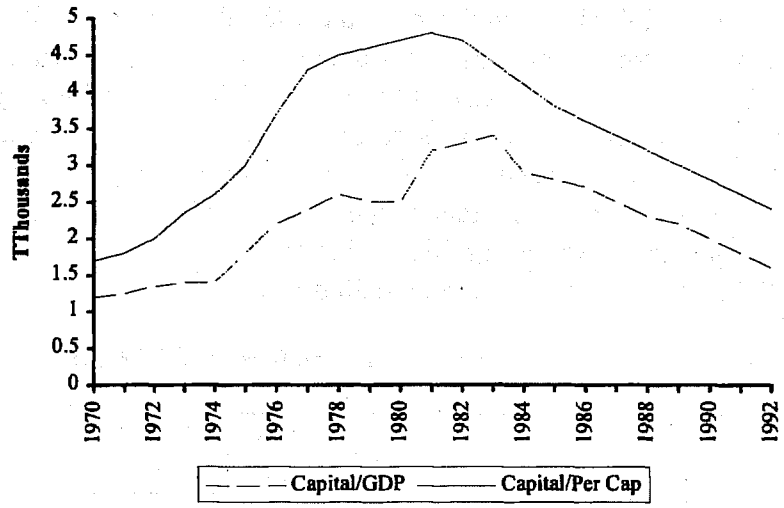
Figure 1.6: Total Factor Productivity, 1971-92



1.22 Fueled by the large increase in oil revenues and heavy public investment, the manufacturing sector grew at an annual average rate of 12 percent per annum on average during the 1970s. However, manufacturing output declined at 6 percent per annum during 1982-85, with output in 1985 only 75 percent of its 1982 level. While Nigeria's industrial promotion efforts yielded some results up to the early 1980s, the non-viability of this import-substitution strategy was manifest with the collapse of oil prices. Only with a highly overvalued exchange rate and heavy protection of final goods, was it profitable to operate import intensive, assembly activities.

1.23 Total factor productivity declined steadily during the 1970s and mid-1980s. (Figure 1.6), while capital stock increased continuously (Figure 1.7). Overall, many of the government's investments were largely unprofitable, and few were in labor intensive production, thus creating relatively little employment. Real wages in Nigeria declined throughout 1974-94, especially in urban areas and in the industrial sector as increases in the labor force exceeded the demand. Thus, while the high oil revenues were potentially very positive, their management proved very destructive in terms of the negative impact these policies had on domestic production other than oil, and their limited impact on the generation of domestic employment and domestic incomes. By 1985, the distortions in the economy (import bans, over-valued exchange rate, import licenses and marketing boards) had become pervasive and serious. The halving of oil prices in early 1986 was the final blow that triggered the introduction of the Structural Adjustment Program (SAP) in late 1986.

Figure 1.7: Capital Stock Indicators, 1970-92
(1987 Naira thousands)



D. CRITICAL YEARS OF CHANGE, 1985-92

1.24 The SAP included a number of exchange rate and trade regime reforms. The fixed official exchange rate was replaced with a floating, market-determined exchange rate. As a result, the exchange rate moved from ₦ 1/$1 at the beginning of 1986 to ₦ 3.2/$1 by the end of the year. This temporarily eliminated the gap between the parallel and official rates.

1.25 Import and export licensing was abolished in 1986. Several import bans were replaced with tariffs, the average nominal tariff level was lowered from 33 percent to 23 percent, and the tariff structure was simplified. In another important change, most prices within the economy were decontrolled. The two notable exceptions were petrol and fertilizer. In particular, the government ended the practice of using the agricultural marketing boards to purchase agricultural produce at below-market prices. The immediate effect of these reforms was to restore the incentive to export, reduce the incentive to import, and increase the profitability of agriculture.

1.26 While oil revenues remained low and government debts accumulated after 1985, other sectors, such as agriculture and domestic manufacturing that had languished during the oil boom years, began to grow again following improvements in the real effective exchange rate. In contrast to an average decline of 1.8 percent per annum between 1981 and 1986, Nigeria's real GDP grew by 5.4 percent per annum between 1987 and 1992 (see Table 1.1). More important for poverty reduction, real per capita private consumption, which had fallen by more than 40 percent between 1981 and 1987, began to grow again -- by 8 percent between 1985-92 according to the national accounts and by 34 percent according to the two Federal Office of Statistics (FOS) surveys, which track household expenditures specifically.

1.27 Overall, food crop production increased by 5 percent per annum. Maize and yam outputs more than doubled between 1982 and 1987, while sorghum and millet production increased by 30 percent and 45 percent respectively. Though the magnitude of the increase may have been initially stimulated by the 1983 drought, the effect of the output price increases after the drought and also after the introduction of the adjustment program likely contributed to the supply response of the period. The ban on imported animal feed and barley imports also put upward pressure on demand for substitutes like maize and sorghum. The ban on rice imports coupled with declining incomes caused a shift in consumption demand to the cheaper staples like cassava, millet and yam. The net effect on the foodcrop sub-sector was a significant increase in the grain equivalent tonnage production of all domestic foods by more than 30 percent.

Table 1.1: Economic Performance by Sectors, 1981-86 and 1987-92

	Annual Growth	
	1981-86	**1987-92**
Agriculture	0.6	3.5
Industry	-4.8	5.0
Mining	-6.0	4.9
Manufacturing	-1.1	5.1
Services	0.3	7.9
Gross Domestic Product	-1.8	5.4
Oil-based value-added	-5.4	4.8
Non-oil based value added	0.0	5.5

Note: Compound growth rates based on value-added at factor cost in constant 1987 prices.

Source: *FOS.*

1.28 Some of Nigeria's earlier anti-export bias in manufacturing disappeared under the adjustment program, and producers switched from imported to local inputs. Particularly in agro-processing and textile manufacturing, there was greater use of locally produced materials. The assembly-based manufacturing sector, which had depended on imported inputs and been shielded from competition and market signals, contracted. Industry as a whole, which had declined annually by 4.8 percent between 1981 and 1986, grew by an average of 5 percent per year from 1987 to 1992.

1.29 With a shift in relative prices in favor of the rural sector, production of traditional food crops and cash-crops increased, and agricultural output grew at an annual rate of 3.5 percent in 1987-92, compared with only 0.6 percent between 1981 and 1986. By 1992 Nigeria was spending only one-fifth of what it had spent in 1986 on food imports.

1.30 These favorable economic developments led to an expansion in the demand for labor in the non-oil tradable sector, especially in agriculture, as the adjustment policies made domestic food and export crop production more attractive. Food imports also became more expensive, reviving the demand for cassava and yam. The response was a rapid reflow of workers (primarily unskilled) to rural areas. Meanwhile, worker layoffs

in parts of the industrial sector were partially offset by the expansion of firms producing goods that competed with imports or used local inputs in production.

1.31 Unemployment gradually began to decline in 1988. Rural unemployment declined from 5 percent in 1986 and 1987 to 4.3 percent in 1988 and to 3.5 percent for 1989-92. Improved rural employment is attributable to several factors, including the favorable response to better incentives in cocoa, cotton, rubber, and other export crops. Survey evidence suggests that the majority of migrants returned to their own farms -- less than 20 percent were absorbed in the agricultural wage-labor market. Urban unemployment declined from just under 10 percent in 1986-87 to 5 percent in 1990-92 (see Table 1.2)

Table 1.2; Structure of Unemployment, 1986-1992 (in percentage)

	1986	1987	1988	1989	1990	1991	1992
A. Unemployment Rates [a]							
National	5.8	6.2	4.8	4.3	3.4	3.6	3.5
Urban	9.8	9.8	8.1	8.4	5.7	5.2	4.8
Rural	4.8	5.2	4.3	3.4	2.9	3.2	3.0
B. Distribution of Urban Employment by Education [b]							
None	13.2	11.7	13.9	11.0	NA	20.7	19.0
Primary	15.8	8.1	15.4	16.5	NA	19.3	12.5
Secondary	67.4	74.1	64.4	65.4	NA	53.4	62.8
Post-secondary	3.6	6.1	6.3	7.3	NA	6.8	5.8
TOTAL:	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: FOS, Labor Force Survey.

[a] *Annual averages of quarterly data.*

[b] *Annual averages, some quarterly data missing or interpolated.*

1.32 Although secondary school graduates had the highest unemployment rates, their situation improved between 1985 and 1992, which matches the overall urban trend (see Chapter 2) and may be due to increased demand for educated labor by urban industry. This seems well correlated with the increased unemployment rate for those with no schooling. Skilled post-secondary school workers fared best of all in terms of employment.

1.33 These positive developments in the employment situation, were not sufficient to reverse the trend of declining real wages. However, the ban on food imports was counter productive in maintaining the initial momentum in supply response. Coupled with non-price factors such as poor marketing infrastructure and inadequate post-harvest storage, the marketable surplus could not be efficiently disposed of, leading to depressed prices. Non-agricultural real wages kept falling after 1985, although less markedly and subject to sizable fluctuations; and agricultural real wages, after a brief sharp increase through 1987, fell steeply, and by 1992 were below the level of 1971. The growth in agricultural income (Table 1.1) during the period therefore reflects an increase in the returns to land rather than to labor, and with relatively less benefit for landless laborers.

1.34 The same decline in real wages is also evident in federal government salaries. Civil servants at the bottom of the salary scale saw the real purchasing power of their wages cut in half between 1980 and 1986, and by 1990 the real purchasing power of civil service wages, at all levels, had fallen further to only 40 percent of their value in 1987. Although adjustments were made in 1991 and 1992 they were quickly eroded by continued inflation so that by 1993 real federal wages were around 35 percent of the 1987 level. It is clear why government employees in Nigeria see the last decade as one of a continuous decline in welfare despite the periods of strong economic growth.

1.35 Private sector wages, including the minimum wage, were frozen in 1984, although fringe benefits were allowed to rise, and the guidelines were relaxed in 1990. The national minimum monthly wage was increased in 1991 from ₦125 to ₦250, and the 1991 guidelines allowed the private and public sectors to negotiate wage and salary increases over and above the minimum wage with a view to improving the living standards of the workers concerned.

1.36 What was the impact of these economic developments on poverty? Essentially there are two broad stories to tell, with multiple elements to each (see Chapter 2). The *first* is that between 1985 and 1992 the share of the population in poverty fell. Based on a poverty line of ₦ 395 per person per annum at 1985 prices (slightly higher than the equivalent of $1.00 per day adjusted for purchasing power parity) an analysis of the national household income and expenditure surveys suggests that the share of the population in poverty declined from 43 percent of the population of 84 million people in 1985 to 34 percent of the population of 102 million in 1992[4]. The *second* is that the lowest 20 percent of households did not share in this improvement, and the depth and severity of poverty increased. Nor did all regions and groups share equally in the growth and reduction of poverty that took place. Poverty declined throughout Nigeria, but more in the middle and southern agroclimatic zones and among the educated, and was most evident among the rural and the uneducated. In sum, the analysis of developments between 1985 and 1992 indicates that the period saw rather mixed gains for the poor, i.e., the least poor gained but the poorest did not. While it does point to the potential welfare gains from the reform process of that period, and hopefully in the future, it also highlights the importance of improving access for the poorest quintile to more and/or better social services, rural roads, etc. so that they too can participate in the benefits of reform.

E. THE RECENT YEARS, 1993-95

1.37 Just as the improvements between 1985 and 1992 were overshadowed by the impact of policy distortions on average incomes and the sharp decline in oil revenues that preceded 1985, events since 1992 have eroded many of the positive changes that took place. With a reversal of many of the policies that contributed to growth and poverty reduction during 1986-1992, Nigeria's economy has again fallen on hard times and

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4 Population data sources are clarified in footnote 15 on page 25 of Chapter 2.

poverty has increased. Real GDP increased by 2 percent between 1992 and 1995 and real per capita private consumption fell by 1 percent. A resumption of rapid inflation further eroded many of the earlier benefits -- 46 percent in 1992, 57 percent in 1993, 77 percent in 1994 -- 90 percent at end-June 1995 and 50 percent by end-December 1995.

1.38 In 1995, the government introduced a new budget of "gradual deregulation" and began reversing some of the previous policies that had contributed to stagnation, high inflation, reduction in incomes, and increases in poverty. The program focused on the introduction of tight fiscal and monetary policies, the elimination of foreign exchange controls, reduction of import tariffs, and elimination of controls on foreign investment.

1.39 Agricultural growth post-adjustment, though impressive compared to the pre-adjustment era, has been sub-optimal due to inconsistent macroeconomic policies and increased distortions in the trade regime, wasteful extra-budgetary spending on non-sustainable large public sector investments and support for inefficient programs such as River Basin Development Authorities, silos, input subsidies (especially fertilizer) and the National Agricultural Land Development Authority (NALDA). Pervasive inflationary trends, arising from fiscal indiscipline and uncontrolled monetary expansion in a highly regulated interest rate regime, have led to negative interest rates, and a disincentive for investment. Moreover, the real official exchange rate appreciated, reducing incentives for non-oil exports. Wide margins between official and parallel exchange rates between 1991 to 1994 shifted potential investible funds from the real sector to foreign exchange transactions. In the process, risk-prone agricultural investments suffered the most, with substantially reduced credit for working capital needs for smallholder farmers. Thus, these forces had a devastating effect on private agricultural investment and reduced the availability of formal credit to rural dwellers. As a result, vulnerable poor groups concentrated in the rural areas became the primary victims.

1.40 These recent events strongly influence perceptions about poverty in Nigeria today, and obscure the improvements between 1985 and 1992. Most Nigerians feel and are worse off now than only two or three years ago. The bulk of their declining incomes is spent on food and other essentials, the prices of which are at least twice the level of 1992. But it is important to recognize that this most recent decline in welfare was the result of the return during 1992-94 to the exchange rate, fiscal, monetary, and other economic policies which had such a destructive effect on the economy and society before 1986. And since, in real terms, both per capita income and per capita private consumption in 1994 were lower than in the early 1970s, before the oil boom, the long-term nature of poverty in Nigeria cannot have changed significantly.

F. Impact of Economic Policies on the Poor

The Likely Impact of Economic Reforms on the Poor

1.41 The actual impact of reforms on the poor is a hotly debated issue. While the evidence presented in this chapter appears to show how the agricultural sector's rebound

and the adjustment programs of the mid-1980s brought about a climate for growth which then resulted in a decrease in poverty, the specific impact of changes are hard to pinpoint. However, with a computable general equilibrium model (CGE), how the poor are likely to be affected when specific changes are introduced or withdrawn can be analyzed. The model can also incorporate external shocks, and hence provides a tool for analyzing the robustness of these policy changes if they coincide with economic shocks. It can thus be a powerful tool for examining the potential impact on real incomes of Nigerian households of various changes in, for example, the exchange rate, world oil prices, changes in taxation, the world price of cocoa. And this impact can be further broken down into the likely impact on the urban poor, the urban non-poor, and the poor in the different parts of the country.

1.42 The results of the analysis, with a model building in the events of the 1980s, can show what the likely impact would be if policies similar to these are enacted now, in particular the possible impact on the poor. The details of the model, the assumptions made, and the range of outcomes is provided in Annex I to this report. A couple of highlights show how important economic management is in the way in which external events affect domestic lifestyles. Through exchange rate policies, trade regime, and taxation policies, their impacts can be significantly softened. For example:

1.43 While a large fall in world oil prices would have a very severe adverse impact on incomes and investments, the poor suffer more from an oil price shock when restrictions on foreign exchange are imposed.

1.44 While a large fall in world cocoa prices has negative implications for the economy, the impact on the poor would depend primarily on other policies -- such as whether the foreign exchange market is liberalized or not, and whether there is high export taxation.

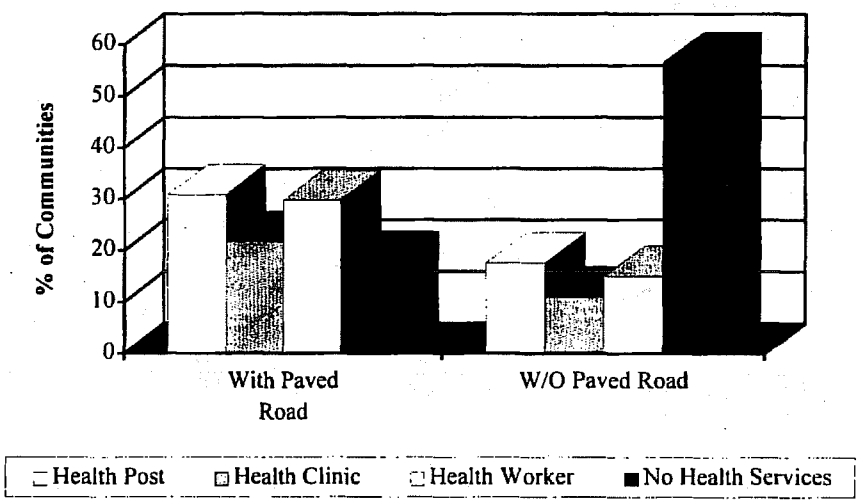
1.45 By modeling the options and likely impacts, a format is provided for assessing how differing economic objectives can be achieved in the future.

G. Conclusions

1.46 Looking back over the past two and a half decades, periods of tumultuous change can be identified. From the early 1970s until 1980, the surge of oil revenues carried average incomes to unprecedented heights and underwrote a major expansion in social services. Poverty undoubtedly declined, but probably not as much as might have been assumed, since real per capita private consumption changed relatively little. The collapse of oil revenues wiped out most of the gains that had taken place between 1980 and 1985 and poverty clearly worsened until the mid-1980s. After 1986, with the stimulus of the increased demand for domestic of agricultural output followed by the reform program, economic growth recovered; while poverty clearly declined, the situation of those in the lowest 20 percent worsened. But after 1991, a return to restrictive policies again brought

to *any* formal sector health service. They are therefore dependent on traditional health systems.

Figure 3.1:Correlation between Access Routes and Access to Health Services Among Rural Households



Source: *Nigeria Demographic Health Survey*, 1990.

3.13 Rural communities with poor access routes also have higher rates of diarrhea among young children. In communities with a year-round access route only 16 percent of the young children had diarrhea during the previous two weeks, but in communities where the access route cannot be used during the rainy season that rate was over 22 percent. Data on the use of health services also show that, in communities that cannot be accessed during the rainy season, three-quarters of pregnant women did not receive tetanus toxoid during pregnancy, compared with 40 percent in the other rural communities. In rural communities with year round access, 40 percent of the children were delivered in a health facility, while in rural communities where the road cannot be used during the rainy season, only 11 percent of the children were delivered in a health facility.

3.14 Access to safe drinking water is a crucial factor affecting the health status of the population, and is reflected in the prevalence of diarrhea in a community. In rural areas, safe drinking water is available to only a very small fraction of the population at all income levels. In urban areas, a somewhat higher percentage of poor neighborhoods have access to safe drinking water. An analysis of the prevalence of diarrhea among children under 5 years by income groups and sectors shows large differences between rural and urban areas, indicating that in rural areas the prevalence of diarrhea is more than twice as large as in urban areas. In urban areas, children in poor communities are much more likely to suffer diarrhea than children in non-poor communities. In rural areas, however, income differences do not seem to play an equally important part.

Table 3.3: Indicators of the Accessibility and Quality of Public Educational Services, by Urban/Rural and by Geographical Region, 1990/91

Selected Indicators	National	Urban	Rural	North-East	North West	South-East	South-West
Status of education services (%)							
Gross primary enrollment ratio	78.0			59.3	67.4	93.5	92.1
Gross secondary enrollment ratio	22.0			11.9	16.7	23.4	36.8
Share of female enrollment in primary	43.8			38.3	36.0	47.2	49.0
Share of female enrollment in secondary	42.8			32.3	35.1	49.3	45.1
Unqualified teachers in primary	20.2			45.2	41.0	3.3	2.8
Unqualified teachers in secondary	7.6			9.5	10.7	8.1	5.2
Sample household population never attended school (%)							
Male	3.3	22.4	50.2	65.5	72.8	26.8	17.8
Female	58.2	36.3	65.2	82.0	86.2	43.1	29.7
Median number of years in school							
Male	1.2	6.1	0.9	0.7	0.7	3.6	6.0
Female	0.8	3.0	0.7	0.6	0.6	1.0	3.6

Sources: World Bank staff estimates based on 1990/91 data from the National Demographic and Health Survey and the Federal Ministry of Education.

3.11 **Community Disparities.** The regional and urban-rural disparities in social indicators are associated with differences in the availability of social services. Education and health facilities, drugs, and public services, such as safe drinking water, sanitation and infrastructure, are generally less available in the northern parts of the country than in the south, and less in the rural than in the urban areas. Over 80 percent of hospital beds (government and private) are located in the south, and the public sector health staff are concentrated in urban areas, and mostly in the south. The health needs of rural and northern populations, where most of the poor are found, are less well served. For example, nearly half the rural population live in communities in which there are no "modern" health services. Only some 20 percent of the rural communities have a health post, and in one-third of the rural communities health services are provided either by a mobile health clinic or by a health worker. In urban communities, more than 70 percent of children are delivered in a health facility (health clinic, health center, maternity center or hospital); in rural communities, only 40 percent.

3.12 In rural communities, the access to health services is strongly influenced by their proximity to urban centers, and by the quality of the road that connects the community to other communities and to the nearest urban center. Only some 15 percent of the rural population live in communities that can be accessed by a paved road. In 35 percent of the communities the access road is not paved but can be used during the rainy season. Half the rural population live in communities where the access route is not paved and cannot be used during the rainy season. Figure 3.1 demonstrates that, in rural communities which can be accessed by a paved road, more than 80 percent of the population also have access to health services -- a health post, health clinic, or health worker. In rural communities without a paved road nearly two-thirds of the population do not have access

and a larger proportion of girls go to school, in the southern than in the northern regions. Over 40 percent of teachers in primary schools in the northern regions do not have appropriate qualifications, compared to three percent in the south. Household survey data show a similar distribution of the educational status of the population. A much larger proportion of the population in northern areas have never attended formal schools -- 73 percent of the male population in the northwest, and 66 percent in the northeast, compared to 27 percent and 18 percent in the southeast and southwest, respectively. Of the female population in the northern region, over 80 percent have never attended schools, compared to 43 percent in the southeast and 30 percent in the southwest.

3.10 **Gender Disparities**. Social indicators also show large differences between the status of men and women in Nigeria. More boys than girls are enrolled in schools throughout Nigeria, and the average educational level of males is much higher than females. The gap is unlikely to diminish rapidly, as the proportion of girls in schools continues to be lower than that of boys, especially in the northern regions.

Table 3.2: Indicators of Health Status and Use of Health Services, by Urban/Rural and by Geographical Region, 1990/91

Selected Indicators	National	Urban	Rural	North-East	North-West	South-East	South-West
Health Status							
Under-5 Mortality	191.0	129.8	207.7	214.6	244.4	143.7	167.2
Infant Mortality	91.4	75.4	95.8	87.7	109.8	82.7	84.6
Under-5 Stunted	43.1	35.0	45.5	51.9	50.4	36.6	35.6
Diarrhea Prevalence	17.9	11.7	19.6	23.9	25.7	12.2	8.7
Total Fertility Rate	6.0	5.0	6.3	6.5	6.6	5.6	5.5
Adolescent Fertility	28.3	17.4	32.7	50.2	46.2	16.7	10.8
Use of Health Services							
No Antenatal Care	34.8	11.1	41.1	54.7	52.4	19.6	7.7
Unattended Births	38.6	21.6	43.1	56.1	63.5	15.9	15.7
Fully Vaccinated	29.6	52.5	23.3	15.9	17.7	43.3	45.3
Use Modern Contraception	3.5	9.6	1.9	1.3	0.7	3.9	10.5

Sources: World Bank staff estimates based on 1990/91 data from the National Demographic and Health Survey and the Federal Office of Statistics.

Notes: Under-5 mortality is the probability of dying before the age of five, converted to a rate per 1,000 live births. Infant mortality is the probability of dying before the first birthday, converted to a rate per 1,000 live births. Under-5 stunted is the percentage of children under five years who fall two standard deviations below the median height-for age index of the international reference population. Diarrhea prevalence is the percentage of children under five years who had diarrhea in the two weeks preceding the 1990 survey. Total fertility rate is the average number of children a woman would give birth to during her childbearing years of 15-49. Adolescent fertility is the percentage of girls age 15-19 who have begun childbearing. No antenatal care refers to the percentage of women who reported being pregnant during the five years prior to the survey and who said that they did not receive any such care. Unattended births refers to the percentage of births during which mothers had no type of assistance by trained or untrained personnel. Fully vaccinated refers to the percentage of children 12-23 months who were fully vaccinated. Use of modern contraception refers to the percentage of married women who were using a modern method of contraception.

3.6 Moreover, compared to many developing countries in Africa and other parts of the world, the social indicators in Nigeria have shown very little improvement over the last 15 years. For example, the under-5 mortality rate declined by only 4 percent between 1978 and 1988, whereas in Ghana, Mali, Senegal and Togo the reduction ranged from 17 to 33 percent. Gross enrollment ratios in primary and secondary education have also fallen since the early 1980s.[23]

C. Disparities in Provision of Social Services

3.7 **Regional Disparities.** Social indicators are worse in rural areas compared to urban areas, and on average are worse in the northern regions than in the southern parts of the country. For the northeast and northwest regions, the social indicators are lower than the average for all rural areas in Nigeria.[24] This underscores the severe lag in the development of the northern parts of the country compared to the south. It also reflects the fact that rural areas in the northern part of the country are the poorest in Nigeria. The disparities stem partly from differences in cultural traditions and religious practices. They also reflect differences in the availability of services in different parts of the country. The level of involvement of the private sector in the provision of social services, which has been generally higher in the south than in the north, has contributed to some of these differences.

3.8 Health status indicators (Table 3.2) show that the northeastern and northwestern parts of the country have substantially higher under-5 mortality rates than the southern regions. Infant mortality is significantly higher in the northwest than any other parts of the country. Children in the northern regions also have a higher probability of being malnourished and suffering from diarrhea than in the southern regions. Total and adolescent fertility rates are also higher in the northeast and northwest regions than in the south. Regional health status reflects the availability and use of health services. Less than 50 percent of women in the northern regions receive prenatal care or are assisted by trained or untrained personnel during child birth, compared to over 80 percent in the southeast and southwest. Less than 20 percent of children in the northern regions are fully vaccinated, compared to over 40 percent in the southern regions. Use of modern methods of contraception is more prevalent in the southern than in the northern regions.

3.9 Similar regional patterns are evident in indicators of accessibility and quality of education services (Table 3.3). Primary and secondary enrollment ratios are much higher,

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23 For a full discussion of the status and trend of the social indicators in Nigeria, see *Nigeria: Social Sectors Strategy Review*, World Bank, 1994.

24 Data drawn from the Demographic and Health Surveys divided the country as follows:

Northwest: FCT, Kaduna, Katsina, Kwara, Niger, Sokoto.
Northeast: Bauchi, Borno, Gongola, Kano, Plateau.
Southwest: Bendel, Lagos, Ondo, Ogun, Oyo.
Southeast: Akwa Ibom, Anambra, Benue, Cross Rivers, Imo, Rivers.

capital investments suspended, resulting in unfinished infrastructure, but recurrent expenditures were drastically reduced to levels that could not support such routine functions as the payment of salaries, supply of essential consumables (drugs and instructional materials), and maintenance of facilities. The result has been a significant decline in the quality of services.

B. WHAT IS THE IMPACT OF SOCIAL SERVICES?

3.5 Social indicators suggest that the health and education status of the population is poor relative to other developing countries (Table 3.1). Compared with Ghanaians, Nigerians live a shorter life and their children have a higher probability of being malnourished and dying before age five. Under-5 mortality in Nigeria is unusually high among Sub-Saharan African countries; nearly 20 percent of children die before they reach five years. Infectious diseases[22], malnutrition and uncontrolled fertility are the dominant features of Nigeria's epidemiological pattern. On average each Nigerian woman bears six children, in line with the average for Sub-Saharan African, but twice as many as the average for women in Indonesia, Brazil or Mexico. The DHS showed there is a particularly high prevalence of stunted growth (43 percent of children under 5) and diarrhea (18 percent of children under 5 had experienced an episode in the two weeks prior to the survey). About half the Nigerian population is illiterate, compared to 40 percent in Ghana, 33 percent in Zimbabwe, 23 percent in Indonesia, and less than 20 percent in Brazil and Mexico. Over 20 percent of children between age 6 and 11 in Nigeria are not enrolled in primary schools, and 80 percent of children between age 12 and 17 are not enrolled in secondary schools. Actual attendance in schools has been far short of enrollment figures, and of those enrolled in primary schools, only an estimated 50 percent are likely to complete six years of primary education.

Table 3.1: Cross-Country Comparison of Social Indicators, 1992

Social Indicators	Nigeria	SSA	Ghana	Kenya	Zim-babwe	India	Indo-nesia	Brazil	Mexico
Population (millions)	102	543	16	26	10	884	184	154	85
GNP per capita (US$)	320	530	450	310	570	310	670	2770	3470
Life Expectancy	52	52	56	59	60	60	60	66	70
Infant Mortality	91	99	81	66	47	79	66	57	35
Under-5 Mortality									
Male	192	179	138	110	53	104	98	76	49
Female	174	160	120	95	66	108	82	70	37
Malnutrition Prevalence	36		27	18	10	63	40	7	14
Total Fertility Rate	5.9	6.0	6.1	5.4	4.6	3.7	2.9	2.8	3.2
Adult Literacy	51	50	60	69	67	48	77	81	81
Gross Enrollment Ratios									
Primary Education	78	66	77	95	117	98	116	106	114
Secondary Education	22	18	38	29	52	44	45	39	55

Source: *World Development Report*, 1994; *Nigeria: Social Sectors Strategy Review*, World Bank, 1994.

22 Around one million cases of malaria are reported each year, resulting in around one thousand deaths.

providers filling the gap? Finally, what are the constraints that prevent the efficient delivery of social services?

3.3 In Nigeria, there is an abundance of data on different aspects of health and education services, yet little information on how resources have been distributed, and how the poor have been affected. This report has relied on many sources of information to identify where the poor are located, and how different regions, communities, and groups have been affected by social services in Nigeria. The National 1992 Household Income and Expenditure Survey (IES) was used to assess quantitatively the distribution of poverty, and the 1990 Demographic and Health Survey (DHS) evaluated health outcomes and access to education and health services. Both were based on nationally representative samples. Rapid assessment studies were performed in 95 communities across Nigeria to obtain qualitative perceptions of communities about social services (the Participatory Poverty Assessment study discussed in Chapter 2). The Primary Health Care Development Agency along with the World Health Organization also conducted two national studies in 1992: one to assess the level of primary health care implementation in LGAs, and the other to compare health and health related conditions throughout the country (using the Index Technique for PHC Monitoring and Evaluation). Finally, a number of other smaller studies and recent government reports provide information on the use of social services in Nigeria.

Box 3.1: Urban Coping Strategies in Oyo State

The linkages between poverty, education, and health are multi-faceted, and are commonly described by the following types of relationships. Education is needed to enhance income-generating employment, and to empower one to make better choices to escape or avoid poverty. However, the time required for education competes with the time needed for work and support of the family, particularly for women. Poverty frequently results in poor diet, causing malnutrition, which, in turn, increases the risk of disease. Repeated and chronic disease cause malnutrition. Malnutrition and disease disrupt school attendance, and inhibit learning and work productivity, leading to greater poverty. Low levels of education are related to poor health and reproductive behaviors, limited understanding of the need for health services, and a lack of power to demand better health and family planning services. Limited economic power and low status place women at higher risk of relationships that increase the risk of sexually transmitted disease, including HIV. Crowding, poor sanitation, and limited access to water increase exposure to disease-causing agents, and exacerbate illness. Access to health services are blocked by limited information, a lack of time, and unavailability of roads, which intensifies the physical effects of disease, increases the cost of treatment, and increases poverty. Each of these relationships is applicable to Nigeria's poor, trapping many in a self-perpetuating cycle of poverty that passes from generation to generation.

3.4 Nigeria's education and health services expanded rapidly during the oil boom from the mid-1970s to the early 1980s. Primary school enrollment increased from 6.0 million in 1975/76 to 14.5 million in 1982/83 and secondary school enrollment rose from 0.7 million to 3.2 million over the same period, as the number of federal and state universities increased from six to twenty-eight. Physicians per capita increased more than fourfold and nurses per capita nearly sevenfold, as new hospitals and medical facilities were built. However, as oil prices fell and government revenues shrank in the 1980s, the expansion of the education and health programs came to a halt. Not only were

3. SOCIAL SERVICES AND THE POOR

Government has failed to respond to the education and health needs of the poor. Social services in Nigeria are generally inadequate and of poor quality; these inadequacies are especially prevalent in poor communities, particularly in rural areas and in the northern zone. The poor are concentrated in poor communities which are poorly served, with limited or no health clinics, schools or roads to reach them. However, health care is provided by a variety of traditional healers and birth attendants living within such communities. In Moslem areas, Koranic education is highly valued by the poor and is more regularly attended than government schooling. Gender disparities are evident in terms of access and use of social services, particularly in the north. Public provision of social services has been adversely affected by insufficient and erratic funding, lack of fiscal discipline, inefficient management and inconsistent institutional support. Both the quantity and quality of public social services have declined sharply since the early 1980s, as oil revenues declined and as weaknesses in the organization and management of those services between the three levels of government in the system have manifested themselves. The decline in public social services has led to increasing reliance on private providers for these services. Many of these operate expensive health and educational facilities in urban areas. However, NGOs, itinerant medicine vendors, traditional healers and Koranic teachers provide services to many of the rural poor.

A. PUBLIC PROVISION OF SOCIAL SERVICES

3.1 It is widely recognized that education and health are critically and intimately linked to poverty (Box 3.1). Successive governments in Nigeria have long stated that social services not only contribute to improving the quality of life for Nigerians, they are also essential for the sustained economic and social development of the country. Government leaders have also espoused a national philosophy of social justice and equity, and have defined one of government's main functions as assessing and reallocating resources to support these objectives. Basic social services, particularly for the poor, are considered a priority for public subsidies. For example, the *National Policy on Education* calls for universal, free and compulsory primary education. The *National Health Policy* emphasizes that primary health care is the means of achieving better health for all Nigerians, and that one of its main strategies is to address problems in the community, giving preference to the under-served communities and to those at greater risk to their health, with first priority to preventive services rather than high investment curative services.

3.2 In the light of these encouraging policy commitments to the poor, this chapter explores a number of questions about the implementation of these policies and their effectiveness over the last fifteen years. How has the public provision of social services changed? What has been the impact of such services? How do such services benefit the poor? Who pays for such services? If public services are inadequate, are private

2.100 An important characteristic of the poor in Nigeria is that they tend to be concentrated in poor communities. The findings of the PPA show that such communities are characteristically cut off from the benefits of development by the absence of access roads, either seasonally or altogether. Thus, roads and water supply emerge as top priority needs cited by the poor. In order to alleviate their poverty, communities engage in substantial self-help activities, often through locally organized groups, while households and individuals adopt a variety of coping mechanisms.

2.101 The poverty profile and the evolution of poverty between 1985 and 1992 show clearly that growth is fundamental to the reduction of poverty, but the composition of growth is also important. Important geographical and sectoral concentrations of poverty cannot be reduced unless the pattern of growth is changed so that the poor in urban and rural areas can share in the growth process. Education is a critical factor in overcoming poverty, particularly primary education. And, since poverty tends to be concentrated in poor communities, targeted efforts are needed, both to induce growth and to provide social services and infrastructure, if the depth and severity of poverty are to be reduced in all regions of the country. The next chapter examines the role of social services in the lives of the poor in Nigeria.

reducing the quantity and quality of land available for smallholders and forcing them into greater poverty.

2.96 During the period 1985 to 1992, while the number of people in poverty declined, there were significantly different trends in the rural and urban areas. The number of poor in the rural areas fell sharply from 26.3 to 22.8 million, while those in urban poverty rose, from 9.7 million to 11.9 million. However, income distribution worsened. *Extreme* poverty increased nationally from 10 million to 14 million, with a tripling of the headcount in urban areas (1.5 million to 4.3 million) and a small increase in rural areas (8.6 million to 9.6 million). Had income distribution not worsened, national poverty would have declined by 13.6 percent rather than 8.9 percent. Nigeria's experience of worsening income distribution with growth is shared by many other countries but not all. This clearly illustrates the need to be concerned with both the composition of growth, (so that the poor share more in the process) and the distribution of income (so that poverty can be reduced faster than the growth itself can achieve).

2.97 The benefits of growth were also not shared equally by different parts of the country. Growth of household expenditures was fastest in the southern and middle zones of the country -- around 40 percent -- but much slower in the northern zone -- 17 percent. The southern zone has most of the industry and many export crops, and the middle zone is the well endowed "bread basket," while the northern zone is largely rural and agricultural with a fragile agroclimatic environment and a different socio-economic history. The slower growth in the northern zone, and long-standing lags in provision of health, education and other social services have resulted in proportionately more poor being in that agroclimatic region during the period 1985-92.

2.98 Poverty in Nigeria, in addition to its overwhelmingly rural and regional characteristics, is also strongly influenced by education, age, and the nature of employment. Those without education account for most of the poor and an overwhelmingly large fraction of the extreme poor. The PPA indicates that poor children commonly and increasingly do not attend school. They and their parents consider that the quality of education (particularly in rural areas) is extremely poor and that the prospect of education increasing employment prospects is minimal. Children therefore spend their time working and learning traditional skills which will enable them to secure a basic livelihood during adulthood. The bleak prospect is therefore that poverty will be perpetuated and even expanded among the current generation of school age children.

2.99 The findings of the National Consumer Surveys confirm that while women play an essential and dynamic role in economic life, they remain seriously disadvantaged in terms of equal access to health, education, financial and agricultural extension services. The PPA shows that certain sub-categories of female headed households are particularly vulnerable to poverty, such as households headed by widows, infertile women, unmarried mothers and mothers with only female children. However, households headed by women make up 10 percent of all households in Nigeria, but contribute only 5 percent to rural poverty and 8 percent to urban.

Box 2.8: Urban Coping Strategies in Oyo State

The following is a listing of the strategies used by poor urban dwellers to cope with high and increasing prices:

(a) Buy food on credit at place of work. There is usually some agreement between a food seller and the worker so that at the end of the month or at an agreed date, all or part of the money will be paid. With that, the worker is at least sure of one good meal a day.
(b) Engage in other jobs such as farming, hiring out of labor, firewood cutting, load carrying, petty trading, cassava peeling, gari frying, extra coaching (of school children) and prostitution.
(c) Sell assets acquired in the past.
(d) Be more self-disciplined, that is deny oneself what one used to eat, drink, use or have.
(d) Take more solace in God by praying more in churches and mosques.
(f) Eat fruits (such as pawpaw) alone as a meal.
(g) Eat unconventional foods such as yam peels, maize husk (eri), house rats, stale foods etc.
(h) Eat eba (gari), amala (yam flour meal) etc. with vegetable (ewedu) and locust bean (iru) and/or maggi (stock cubes) or even without stew.
(i) Soak gari in water and keep for a long time so that it can go round the family.
(j) Go to ceremonies (parties) to pack leftovers.
(k) Use coal pots and firewood for cooking instead of gas or kerosene.
(l) Delay or avoid marriage or even send wife back to her parents (divorce).
(m) Limit the number of children or even stop having children.
(n) Long period of breastfeeding (2 - 2.5 years).
(o) Walk to and from work or school.
(p) For school children, use of books and uniform of older children by younger children.
(q) Withdraw children from school.
(r) Run away from the town (away from family and/or creditors).

In urban areas, people eat less often and cheaper foods. Cheaper clothes and shoes are worn. Fruits and berries that used to fall away are now picked when they are hardly ripe. Local soap has replaced manufactured soap for washing people and clothes. People walk long distances to work and to avoid meeting relatives in taxis who might expect their fares to be paid. Most people do not join cooperatives because they cannot meet the regular monthly contribution, so they cannot benefit from the loans. Poor wage earners try to eat on credit at their work places, settling the bill fully or partially on pay day. Rural relatives no longer send food. Indeed they expect money from urban relatives, but this is not forthcoming. People have stopped leisure activities.

Source: *PPA Study 4*: Price Changes and Poverty in Oyo State.

Conclusions on Poverty in Nigeria

2.95 The share of the population in poverty declined from 43 percent to 34 percent in Nigeria between 1985 and 1992 because of a 34 percent increase in mean per capita household expenditures. This rise in household expenditures was the result of a resumption of economic growth which was broad based but not evenly shared. Expenditures increased for 80 percent of households, but the highest 10 percent of households experienced almost 48 percent increase, while the lowest 20 percent of households experienced an absolute decline in expenditures. Poverty therefore worsened for the lowest income households, some 18 million people. The PPA supports this view. For example, small-scale farmers observe that such developments as plantation agriculture and commercial farming have taken up the best available land, thereby

Box 2.7: Safety Nets in Osun State

The poor utilize a broad range of safety nets, including the following:

- several income generating activities, including agricultural diversity
- extended family rights and obligations
- formal and informal associations
- individual initiatives.

In Mosarajo, a village poorly served by infrastructure, tree crops such as cocoa, kola nut and citrus are major income earners for the people. A village leader commented that he provided for his own "social security" years ago by planting cocoa and citrus trees. Now that he is too old to continue active farming, he is still able to get income from the produce of these trees.

A common practice in the study area is "futures" marketing. Farmers sell off their crops before maturity, thereby reducing their risks (e.g., theft or crop loss from pest infestation during storage) and providing cash at times when resources are scarce. Respondents confirmed the practice as widespread, in order to meet urgent financial needs for which no credit is available. One consequence is that farmers earn less than they would if they sold their produce at maturity. They are therefore even less able to break out of the subsistence cycle, since they only cover production costs plus a small amount for other family needs.

Most farmers, male or female, have other income sources, which they may not consider as an occupation. Most rural and urban households keep a few small livestock such as chickens, ducks goats or sheep. Such animals do not provide a regular income, but can yield cash in times of emergency, or for entertaining an important guest, etc. Many rural residents also hire out their own labor, buy and sell produce, do crafts or cottage industries, etc., depending on local circumstances and their resources.

The extended family assists its members in a number of ways. Since members may reside in various locations, in both rural and urban areas, remittances of cash, material goods and exchanges of food are common between rural and urban relatives. Members who need a place to live will often find a space in the home of a relative. The urban poor tend to go back to their villages to find food and to survive during times of unemployment, etc. Some send their children to relations in the villages, where they will be fed and will not need to pay transport fares to and from school. This often becomes a problem later, since there are rarely secondary schools in villages. The familial network links people to each other with reciprocal obligations and privileges, and is also a channel of information which may reveal economic and other opportunities.

However, several respondents claimed that in recent years remittances have become less common than in the past. Rural people are still generally able to produce their own food, with some excess, but many of the urban poor rely on a small salary and have limited opportunity to make money from other sources. The inflation of the last few years has reduced their real incomes, making it increasingly difficult to feed themselves, not to mention caring for relatives at home. Most of the rural poor have contacts only with poorer members of urban society, so that remittances to rural areas cannot play a major economic role. Further, the poor are increasingly likely to be able to send food only to lessen the burden of rural members sent to town. The increasing transportation costs also play a role in reducing visits and exchanges.

Source: *PPA Study 3C*: Initiatives of the Poor and Informal Safety Nets on Osun State.

2.94 In urban areas, a range of coping strategies has been developed, as indicated for Oyo State (see Box 2.8). Although these strategies provide a short-term adaptation to poverty, they also lock households firmly into a cycle of deprivation. Eating poor quality food promotes ill-health, which cannot be treated because of poverty, so that long-term work capacity will fall. Children do not go to school and remain illiterate, which will later reduce their opportunities to enter the labor market.

2.92 Poor women claimed to have received few benefits from specific poverty-focused programs such as the BLP, but more from general programs such as the Expanded Program on Immunization (EPI) which reach the poor as part of their broad coverage strategy. The study's focus on women shows clearly that they play a key role in the household economy as well as having prime responsibility for the health, education and development of children. Raising the income of women, particularly in rural areas, is therefore a key catalyst for broader poverty reduction strategies. However, women's time budgets (see Box 2.6) reveal the difficulty which they often face in participating in any additional activities.

Box 2.6: Time Budgets of Urban and Rural Women in Osun State

From the time budget data, the majority of the urban women in the case studies do not have time for leisure, relaxation, or participation in additional activities. They are engaged throughout the day from the moment they wake up at about 5 a.m. to about 10 p.m. when they retire for the night. On the average, about 5 hours are spent on food preparation in a day (breakfast, lunch, and dinner); then 7 hours on sleep at night, 2 hours on domestic chores (bathing and caring for children, laundry, sweeping and cleaning of the environment), while about 10 hours are spent on Income Generating Activities (food vending, processing, and trading etc.).

The data from the rural centers portray greater flexibility in time use. On the average, women wake up around 5 a.m. and go to bed by 9 p.m. However, some 3 hours per day are spent on relaxation. This was explained by the fact that the study was conducted during the slack season. The discussions with female groups in the rural locations revealed a sharp difference in time use between agricultural peak and slack seasons. The women stated that during agricultural peak season, both men and women hardly have time for leisure (this is more pronounced among the women who must combine agricultural work with independent income generating activities).

For both urban and rural women, the time chart shows that within a single hour, a woman is involved with multiple roles. In Akeju Rabiu, within a one hour period a woman undertook cooking, breastfeeding, picking food items, washing utensils, drying cocoa and preparing yam/cassava flour. Also significant is the time devoted to praying whether in the urban or rural setting. This tends to encroach on the time available for food preparation. In Moslem households, the women pray 5 times a day and this affects the time they spend on other domestic chores. In the Christian homes, the praying is done twice -- morning and evening.

Source: *PPA Study 6B*: Women and Children in Poor households in Osun State.

C. Safety Nets and Coping Strategies

2.93 **Safety Nets and Coping Strategies**. Both rural and urban households aim to ensure a diversity of income sources as a protection against risks (such as failure of a major crop or unemployment) which might cause poverty. But a much broader range of safety nets is utilized, as shown in Osun State (Box 2.7). The PPA study showed that, while safety nets are still operational for many rural households, the general decline in the Nigerian economy in recent years has placed these nets under stress. If poverty becomes much more prevalent than it was when the PPA was undertaken, even these safety nets are likely to prove ineffective in the long term. This emphasizes the vital importance of broad based growth in the economy.

work in another. But there are often important social and geographical difference which will impact on program effectiveness. If planning and implementation are to succeed, they should be based upon detailed local knowledge and an understanding of the local human, financial and physical resources as well as on community priorities and possibilities. The PPA study found that often programs pursued by government did not meet priority needs identified by the communities. Therefore residents did not feel that the programs would help them break out of poverty.

2.89 **Role of Self-help Organizations.** In many communities, self-help organizations are proliferating in response to increasing economic hardship. For example, youth groups which raise money by farm laboring and then utilize this for the welfare of members in need are a recent phenomenon noted in rural areas of Benue State. In other cases, traditional organizations take on new roles. Again in Benue, age groups have been responsible for developing market places, providing thrift and credit facilities, obtaining and supplying farm inputs for members, caring for the sick and burying the dead. They also assist in maintaining law and order in the community (see Box 2.5).

Box 2.5: Self-help Organizations in Obusa, Benue State

Age-groups are generally self development oriented. They construct roads, act as thrift and credit associations, procure farm inputs for their members and collectively supply labor on the farms of their members. The market in Obusa was virtually built by the age-groups. The local government planned the market and allocated the plots to the age-groups who built the stalls and collect fees on market days. They pay annual rent to the local government.

The age-groups have an elaborate organizational structure that includes a chairman who acts as the spokesman of the group. There is also a secretary who most times is literate in order to keep records of the ongoings within the organization. The age-group also acts as a powerful tool of socialization and maintenance of law and order for the community. People of the same age have to qualify to be members of the group by being upright members of the community. They also have to be hardworking, of sane mind and not convicted of any crime. To the District Head of Owokwu, "Without age-groups in Igede, we could not survive because of general government neglect."

Source: *PPA, Study 3A*: The Role of the Poor in Participatory and Informal Structures in Benue State.

2.90 It is clear that residents have more trust in such locally developed bodies than in formal externally created institutions. However, these bodies appear to be largely ignored in government development programs. Given some strengthening through training in such areas as literacy, accountancy and management, they could become an important channel for poverty alleviation. The main drawback noted with such bodies is that they tend to look after only their members, while a much broader section of the community is in need.

2.91 **Participation of Women in Development Activities.** Although it was generally found that women are less likely than men to participate in development processes, there were also instances of active women's organizations, sometimes through specific women's programs or where pilot village status had brought a particular focus on their role.

2.83 Traditional leaders are significant community mobilizers, particularly in the rural areas. Since these leaders appear strongly dissatisfied both with government officers and politicians, an important link in the development process is missing.

2.84 **"Growth Initiatives" and Increasing Poverty.** In some areas participating in the study, "growth initiatives" are said to have served to widen the gap between the rich and poor. In some LGAs in Ondo State, for example, much of the best agricultural land has been acquired for oil palm plantations, leaving insufficient land for small farmers to grow more than their subsistence requirements. In Osun State, larger-scale cash crop farmers with access to inputs and credit see themselves as better off than five years ago because their selling prices have risen. But people growing only small amounts to sell have found that inflation has reduced the value of their profits to such an extent that they can no longer afford the inputs necessary to develop their farms. Such small farmers say that farming is unprofitable because of the high cost of such inputs as fertilizer and labor, producing poor yields because these are not used, and low prices obtained because they have to sell to middlemen at the time when produce is cheap. The bad condition of rural roads is identified as a major problem, because it limits available transport for inputs and outputs forcing small farmers either to pay high costs or to sell to middlemen with their own transport. So poor farmers see the gap between themselves and commercial farmers widening.

2.85 **Community Development Associations (CDA).** There appears to be great variation between the achievements of CDAs. Some have been successful, for example where a traditional body such as an age group has adopted the new identity of a CDA. This brings in the positive factor of a linkage between a valued traditional body and the government-initiated system. Against this positive factor is the negative one that a body charged to represent the whole community may in fact only represent a particular section of it. It appears to be broadly the case that CDAs have considerable need for training to strengthen their capacity and for monitoring to ensure that their programs are effective and well-targeted.

2.86 A further difficulty noted with the CDA system is that most LGAs have too little money available to enable the Associations to undertake worthwhile programs. Thus only communities which can mobilize some of their own resources are able to make progress. This may in practice mean that it is mainly communities benefiting from well-placed elite members which are able to complete projects financed through the CDA system.

2.87 **Stakeholders' Participation in Government Programs.** The overall impression gained from the PPA studies is that many rural development programs are still carried out with no active participation of the intended beneficiaries. This is one reason why NGOs, which are often thought to have a more participatory approach, are playing an increasing role in the establishment and maintenance of rural development programs.

2.88 Development planners working in Nigeria appear to have assumed (judging from the evidence of their programs) that an approach which works in one community will also

the need for a change in responsibilities, under which money would be channeled to communities as implementors, with government providing technical assistance and supervision.

2.77 Signs of progress in such a new type of partnership were reported. In some areas, Health Committees, Education Committees and Parent-Teachers Associations have made a promising start in joint service planning and implementation between Government and community. Some States and LGAs are cooperating to offer training under which Traditional Birth Attendants learn modern midwifery. There are also some examples where Community Development Associations have become an effective force in local development.

2.78 **Elites, Leaders and Development.** Many residents of poor communities emphasize the importance of their elite, particularly those members residing and working in urban areas, in securing access to services for them. "Sons abroad" are seen as one of the keys to obtaining poverty alleviation measures. Such people are often, indeed, centrally involved in setting up and running "self-help" organizations. As far as many poor and illiterate people in remote rural communities are concerned, only one or more literate and influential leader(s) can stimulate development and participation.

2.79 Community leaders themselves point to their need to have links with "Godfathers" higher up the system in order to successfully gain access to benefits for the community. Many community leaders say that if they are not active politically, they do not attract Government action, which in turn means that community members cannot be enticed to participate in development.

2.80 In very poor villages, people often point to the failure of the local elite to identify with needs of ordinary people as the main factor promoting their continuing poverty. In the most extreme cases, such people are said to have misappropriated money that had been collected by the community to obtain services.

2.81 **Importance of Traditional Leaders.** The failure to involve traditional leaders is an important negative factor in many government programs. The PPA found a high correspondence between the views of such leaders and those of their "subjects" on participation and development issues. Shared values play an important role in the confidence needed for participation. While these have been broadly retained within the "traditional" system, this is not the case in relations between government and the governed.

2.82 Local leaders are intended to be a linkage between the government and local systems. However, amongst the traditional leaders there appears to be a very poor impression of government officers, leading to a feeling that they are not involved as part of the development process. Such leaders commonly feel inadequately informed of the opportunities available for their communities to benefit from government assistance.

2.73 **Targeting of Government Programs.** Local government officers tended to say that in their area programs are focused on communities as a whole, thereby reaching the poor. Some have tried specifically-targeted programs. Where there have been government programs specifically targeted at the poor, such as the Better Life for Rural Dwellers Program (BLP) and the Directorate for Food, Rural Roads and Infrastructure (DFRRI), they have not been well managed and have not been very successful in reaching the poor (Box 2.4).

Box 2.4: Perceived Problems with Government Programs

Oyo State

In Oyo State, one major obstacle that was highlighted by LGA officers is the lack of coordination between relevant Government bodies. An official indicated that "the Community Development Unit is not carried along with other Government programs". Another official in a different LGA noted that "Government itself creates confusion by duplicating issues that should not be duplicated". An official observed that "some areas do not have wells while neighboring areas may have up to ten".

The implication of these observations is that many institutions such as DFRRI, BLP, LGA and CDC may provide the same structures and services in some privileged communities while other unrecognized ones have nothing.

Benue State

Rural development programs in Benue State have in many cases been defined and carried out without the active participation of the intended beneficiaries. This is one factor in the increasing importance of NGOs in the establishment and maintenance of rural development services.

In Obusa, people indicated that they were hardly consulted before government service provisions was planned and that the quality of services is unsatisfactory. Projects are commenced but not carried through. "You get up one day and see strangers in the neighborhood erecting poles and installing cables on them and nothing happens after that".

Source: *PPA Study 3B:* Local Participatory Structures and Good Government in Oyo State, and *Study 3A:* The Role of the Poor in Participatory and Informal Structures in Benue State.

Development Processes and Poverty

2.74 **Need for Partnership Between Government and Communities.** For many participants in the study, a key problem is that the provision of services and facilities is part of a development process which has become politicized. Frequent changes in political structures and in politicians mean that many projects are never implemented after planning, while others are abandoned before completion or operation.

2.75 Many communities are active in assisting government in service provision. However, disappointment in the results of cooperation between communities and government was widely reported and has in many instances led to a reluctance to cooperate in future. Both residents and government officials referred to the failure of government to complete projects and to monitor their performance (frequently-cited examples are projects initiated by DFRRI, BLP and LGAs).

2.76 Although there is a widespread disappointment with government performance, communities have not concluded that it has no role in development. Rather they point to

areas, the middleman is able to make profit from both producers and consumers, to the detriment of both.

2.69 The declining quality of the road and transport system is also seen as contributing to the reduction in mutual support operating between rural and urban relatives. Rising transport costs make visits expensive and therefore rare, and there is often no reliable way of transferring money.

2.70 In rural areas, poor economic circumstances combine with inadequate infrastructure and service provision to create a powerful and self-perpetuating set of disadvantages. The combination of bad water, a poor diet and hard physical work promote the prevalence of illness. The sick do not attend local clinics because these are unavailable or non-functional, while those in neighboring towns cannot be reached because roads are bad and transport expensive.

2.71 **Importance of Health and Educational Provision.** Although health care and education are seen as highly important needs, amongst the poor there is a view that Government provision of both has virtually collapsed. This is particularly so in remote rural areas where poverty prevails. Accordingly, many communities now place their trust in locally-based systems (such as traditional healers, itinerant drug sellers, and Koranic teachers) and have little expectation that the "national" systems will be brought to a functional level except in urban centers and for those who can pay. These issues are examined further in Chapter 3.

Government Programs and Poverty Alleviation

2.72 **Range of Government Programs.** There is a general recognition that in many States, programs run by different levels and institutions of government are broad in range and scope. For example, opinion leaders in Kwara state noted that many agencies have been providing amenities. Frequently mentioned were the following: bore-holes and wells, basic health clinics, roads linking communities, EPI immunization, market stalls, promoting self-employment for the youth through National Directorate of Employment (NDE) programs, introduction of community banking, helping to re-roof primary schools after rainstorms, and payment of examination fees of pupil/students. However they also indicated a number of perceived problems. These included: bore-holes which become in-operational after a few days of use; the large number of abandoned basic needs projects; government making promises but not acting on community requests; government only assisting and getting credit for community projects when they are nearing completion; forcing people to pay taxes but not providing services; using grand projects to embezzle public funds; not ensuring that the poor actually benefit from programs meant for them (e.g. subsidized fertilizers); and making pronouncements on rural development but spending more on urban projects. These perceptions clearly point to major deficiencies in implementation and a substantial lack of confidence and trust in government programs.

2.63 A commonly cited trend in response to such social stress is more widespread participation in religious activities, but also the increasing exploitation of the "fear of God" among poor people by opportunist religious leaders.

2.64 A major prevalent perception is the need for a change in the behavior of all categories of leaders and their supporters to provide a good example and genuine leadership to the population.

Perceived Priorities of the Poor

2.65 **Drinking Water and Transport.** Residents consistently named access to drinking water as their highest priority need in several states. They believe that water-related illnesses are prevalent in their communities. Although many are aware of the benefits gained from boiling water for drinking, most families do not do so because fuelwood is a valuable commodity.

2.66 Failed water supply schemes by state and local governments, as well as under such special programs as Directorate for Food, Roads, and Rural Infrastructure (DFRRI), appear extremely common in both rural and urban areas. Often, State Water Boards have designed over-elaborate and expensive schemes to supply piped water to house connections and these proved beyond the capacity of LGAs to construct or to manage. Since communities are not involved in planning schemes, they can also play little role in managing them.

2.67 The failure of piped schemes often forces communities back to unhygienic or over-exploited traditional sources. Some communities have constructed facilities such as small dams to ensure water supply after government piped schemes have failed. In other cases, communities have taken on the role of managing a facility (such as a tubewell), including its maintenance. Although this can be more effective than government management, it was reported that LGAs discourage this area of community initiative.

2.68 The provision and maintenance of rural roads is seen as an equally vital priority need. These are essential both to facilitate service provision and for development of the rural economy. For example, many teachers working in village schools prefer to live in the nearest town. If roads are poor, transport services tend to be minimal and teachers' attendance is erratic, which has a major impact on the quality of education. Transporters charge high rates to service remote areas with poor roads as these damage their vehicles. Such charges make it uneconomical for farmers to sell crops straight after harvesting, when prices are low. But on the other hand, storage methods are often not good enough to preserve crops until prices are high. Thus, farmers see no point in attempting to grow surplus crops, since they are unable to convert them into cash. Overall, transport costs lead to high input and low output prices. They are a major factor perpetuating rural poverty. They have also presented the opportunity for middlemen to develop a key role as suppliers of agricultural inputs and purchasers of outputs. Since food is often scarce in urban areas, and agricultural inputs and buyers for outputs do not reach remote rural

Box 2.3: Women in Vulnerable Marital and Procreative Circumstances in Osun State

Widows. Women who lose their husbands face both economic and social problems. They carry out farm operations which are normally done by husbands (weeding, clearing virgin lands, harvesting, planting etc.) and they often depend on hired laborers that are expensive and rare to find. Such women feed, educate and maintain children often without assistance from relatives and friends. A widow (one of the selected case studies in Akeju-Rabiu) lives with her 2 daughters, 2 sons and grandchild. Her economic problem is compounded by one of her daughters who is an adolescent mother. The widow combines nursing and caring for the grandchild with her roles as a provider. Her son in the secondary school lacks the basic needs -books and uniform. She is engaged in farm work, cracking palm kernels, and food processing. Unlike most other women, she tends to have total control over her time. She attends village meetings and seems vocal in the community. Her household lives below the poverty line. She sleeps with her two daughters and grandchild in a room which is small and over-crowded, while her two sons sleep in a smaller room, just big enough for a person to stand.

Infertile women. Infertile women feel condemned, unhappy and unrespected. They have no right to husband's property, neither do they have free access to other women's children to run their errands, and to give necessary assistance on the farm. This is particularly so when these other children are busy helping their own mothers, or when there is a rift between the infertile woman and other mothers.

Unmarried mothers. Unmarried mothers suffer disgrace and face embarrassment in the community. They only find support with their mothers e.g. the case of the widow in Akeju-Rabiu and her unmarried daughter. Reportedly, fathers are not sympathetic towards such daughters.

Mothers with only female children. Mothers with only female children suffer neglect from the husband, face opposition from in-laws, lack access to husband's property and their husbands may take other wives to bear them male children. Such mothers again lack access to labor of male children and also have no say in household decision-making processes. The women further explained that such losses/deprivation will affect their children's schooling because money will be in short supply, as the woman would have to bear the responsibilities by herself.

Source: *PPA Study 6b:* Women and Children in Poor Households in Osun State.

2.61 **Communities and Poverty**. Whilst poverty affects households and individuals, it is most damaging where it affects entire communities, since this greatly reduces the operation of local "safety nets". This form of poverty is at its worst in isolated rural communities. As an example, the settlement of Itasa in Oyo is characterized by its inhabitants as one in which everyone is poor. Most people rely entirely on subsistence farming and even the few artisans and Government employees must also farm part-time. People cite as symptoms of this community poverty the absence of a usable road, potable water, a clinic, electricity and teachers. As one elderly resident summarized it, "this is where suffering ends".

2.62 **Values and Poverty.** "Traditional values" and the family are commonly seen as suffering from the declining economy. The inability of parents to properly feed and care for their children has led to an erosion of parental authority which paves the way for delinquency and immorality. Men may depart from their home temporarily or permanently, leaving families to fend for themselves. Increasing numbers of young girls are said to be engaged in street hawking and this is seen as exposing them to sexual exploitation, evidenced by a reputed increase in teenage pregnancies.

Box 2.2: Poverty and Diet in Iseyin Town, Oyo State

In Iseyin town, the types, quantity, quality and frequency of food eaten have declined over recent years. People noted the disappearance of tea, coffee, milo, and bournvita as well as eggs, milk and bread. Even Government employees say that they now eat these foods only rarely, particularly at the end of the month.

Generally, foods eaten in Iseyin town are eba (gari), lafun (cassava flour meal) , amala (yam flour meal) and pap (maize meal). Very few can afford the more favored pounded yam, even though yam is locally produced. Soups or stews accompanying starch are mainly vegetables boiled with only salt and/or maggi cubes added. Fish and meat have been forgotten and are only tasted at infrequent ceremonies. In many cases, there is no soup or stew with the staple. Stale food which used to be thrown away is now eaten, even though people are aware of the associated health risks.

The food situation in Iseyin is said to be so bad that maize husk (eri) and yam peels which used to be fed to sheep and goats are now eaten by people. Yam peels are dried and then ground to be added to other types of flour to provide bulk. Children often do not get enough food and quality is poor. Teachers confirmed that some children sleep in the morning because they do not take breakfast, while others vomit because they ate stale left over food.

House rats are now also eaten. Even though people rear sheep and goats, they have to sell these to meet pressing obligations and buy cheaper foodstuffs. They will only kill and eat an animal that is sick and unlikely to survive and if no butcher is ready to buy it. People cut down on the number of meals eaten and the amount--the quantity now eaten in two meals would have been one meal a few years ago. Breastfeeding is now more prevalent than powdered milk, but mothers say they eat too little to produce an adequate milk supply.

Poor feeding, associated with unaffordable health care, has given "sickness and death a free hand".

Source: *PPA, Study 4:* Price Changes and Poverty in Oyo State

2.60 **Categories of People Vulnerable to Poverty.** Some categories of individuals are regarded as particularly vulnerable, especially female headed households, particularly those with children too young to work (see Box 2.3). Widows and single mothers face especial difficulties when their children fall sick, since no one is willing or able to help them. They also lack the necessary farm labor and cannot afford to hire it. The elderly are also vulnerable because poor families find it increasingly difficult to support them. Of the elderly, women (especially the childless) are a highly vulnerable group. But of all the poor, children are the most seriously affected by poverty. The extensive involvement of their mothers in rural farming and/or selling means that they are not fed at the right times. Many mothers voiced their concern at their increasing inability, in the face of frequent price rises, to meet basic responsibilities to their children. They cannot give them good food or even afford second-hand clothes for them. Children can only continue in school if they work at other times of the day and during vacations, since their families cannot support them (see Chapter 3).

advance at very low prices ("futures marketing"). In some areas, Community Banks have introduced rural credit schemes for small farmers. Where these are not tied exclusively to specific uses, they can be an important intervention.

2.58 **Poverty in Urban Communities.** On the basis of data gathered in urban communities experiencing poverty, an overview of its symptoms includes the features below:

Income and Employment Symptoms

The poor have un- or under-employed household members and no access to business opportunities.

Poor Children

Poor households cannot afford children's school fees or transport costs and the children do such jobs as firewood gathering or sale, load carrying in markets and hawking ready-to-eat foods.

Diet

Diet is inadequate and monotonous.

Visible Symptoms

Such households have poor housing without latrine, bathroom, or kitchen and with an irregular supply of water and electricity. Furniture is of low quality. The people have a tattered appearance.

2.59 **Diet as a Perceived Poverty Indicator.** In both rural and urban areas, an inadequate diet is seen as an indicator of poverty. It appears that this has even more serious implications in urban (Box 2.2) than in rural areas, where even poor people may have access to basic food crops. Some foods previously available to the poor are no longer so. These include canned or packaged products such as tea, coffee and powdered milk, as well as locally produced items such as eggs and bread which are now perceived to be too expensive for regular consumption. Among health workers and the poor themselves, there is a felt need for more nutritional advice as to how best to utilize available foodstuffs to obtain an adequate diet. In several communities, respondents saw the declining food value from a poor diet, coupled with inadequate access to effective health care, as an important contributor to a perceived increased prevalence of illness.

Physical Access Symptoms

The poor in rural areas live in communities served by bad roads (which discourage private transport operators) or even no usable roads. They therefore lack physical access for inputs or outputs, so that all goods and produce must be head-loaded.

Agricultural Symptoms

Poor households tend to have a small farm area and mainly grow food crops for their own consumption. They have only family labor available and may themselves have to work as paid laborers for others to earn income. They cannot afford tractor hire and use only traditional implements for farming and food processing. They use few improved inputs such as fertilizer. Such households have few or no cash crops or trees, and where trees are owned, they are often pledged as security against debts.

Nutritional Symptoms

Poor households face food insecurity before harvest time, and are often limited to starch-based consumption, particularly such items as cassava flour. They may also eat stale food usually given to animals.

Social and Economic Access Symptoms

Linkages to influential people and urban opportunities are minimal, and only income-generating activities giving low returns are available. There is little access to savings and credit. Such households have few or no valuable assets such as a building in a town.

Visible Poverty Symptoms

Poor people cannot afford roofing sheets for their house and have only one set of clothing, worn at all times. Women do extensive physical work on the farm instead of engaging in traditional women's activities such as crop trading.

2.56 **The Rural Poor and Government Programs.** The rural poor frequently mention the difficulty they face in gaining access to agricultural inputs at the intended subsidized prices and point to this as an important factor perpetuating their poverty. Since this is the case, they also cannot benefit from the agricultural extension system, which largely advocates improved productivity through the use of inputs which are not available to them. Indeed, even members of rural cooperatives claim to find it difficult to obtain subsidized inputs, because middlemen have the contacts to buy these up at central points for transport and resale at prices which the cooperatives cannot afford. Small farmers also cannot benefit from tractor hiring or weed control services, because these are relatively expensive, and they have no access to credit to spread out the payments.

2.57 The severity of rural poverty relates to agricultural seasons. It is worst shortly before harvest time. The poor run out of stored food and have to purchase at the time when prices are highest, often from money lenders on credit which bears a high interest rate. After harvest, when prices are low, they have to sell to repay their loans. Their crop is therefore worth little to them and in many very poor families, some of it is sold in

2.52 Targeting programs and projects on pre-selected *communities* could be more cost-effective because that selection can considerably reduce the number of non-poor households included in that program as well as the number of the poor excluded because they reside in other communities. Table 2.16 shows that using the above criteria by which the communities were divided into four categories, just one-third of the communities that have been classified as "poor" and "low-income" are the place of residence of as many as 78 percent of the poor population in Nigeria. Programs and projects targeted on these communities would therefore reach the majority of the poor in the country, but only 22 percent of the non-poor and only one-third of the communities.

2.53 Table 2.16 also shows that these criteria can provide guidelines for identifying the communities that could be the target of *cost recovery* programs. These are primarily the communities that have been classified as "non-poor" and in Nigeria, more than one-fifth of the communities are in that category. By targeting both subsidized programs and projects on communities, it would be possible to greatly reduce the costs and increase their effectiveness. [20]

B. THE PARTICIPATORY POVERTY ASSESSMENT, 1993-94[21]

Community Perceptions of Poverty

2.54 Although communities and households suffer from particular combinations of circumstances promoting and characterizing their poverty, there are also perceived regularities which enable construction of an overview of the symptoms of poverty. These vary between households and communities and rural and urban communities.

2.55 **Poverty in Rural Communities.** On the basis of data gathered in rural communities experiencing poverty, an overview of its symptoms is as follows:

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20 The above criteria for classifying communities into income categories are only illustrative, however, and they cannot be used in practice to determine guidelines for targeting programs and projects in the country at large. The reason is that the National Consumer Survey is conducted only in a *sample* of communities. To determine targeting criteria for *all* the communities in the country, it would be necessary to use only data which is available for all communities.

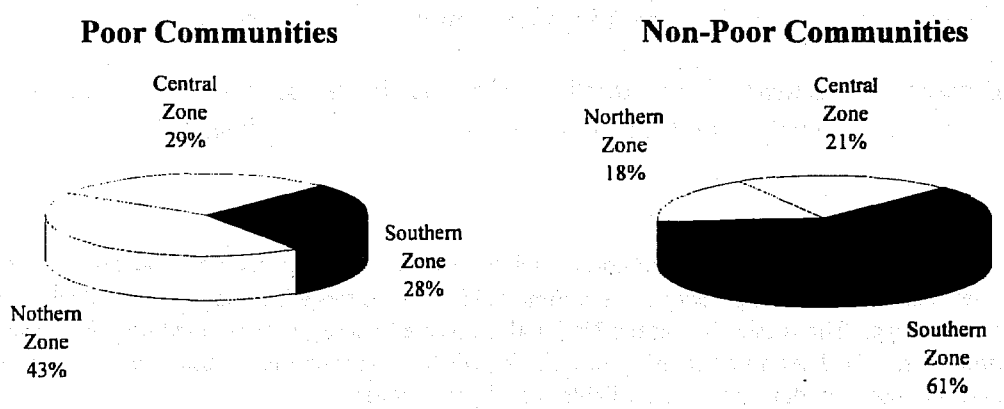
21 The PPA studies were undertaken between early November 1993 and January 1994. Full details are provided in a Background Paper to this study, *Nigeria: Participatory Poverty Assessment*, September 1995. Fourteen teams of experienced Nigerian researchers were commissioned and received detailed documentation and training before undertaking the fieldwork. Some 95 communities in 45 LGAs (and in one urban study, geographical concentrations of informal sector activities) participated in the fieldwork. Communities were selected on the basis of their likelihood of containing a large proportion of poor people. Researchers first discussed the aims of the study with State and LGA officials before assessing where the poorest communities were located. Preliminary field visits and contacts with local leaders were used to verify these selection procedures. Despite the difficult circumstances prevailing in Nigeria at the time of the studies, poor people were generally willing to participate and it is estimated that more than 2,000 persons were involved in individual or group discussions.

Table 2.18: Poor Communities by Income Category, by Region, 1992 (Percent)

Community Category	Communities	Poor Individuals	All Individuals
Non-Poor			
Northern Agroclimatic Zone	17.6		17.4
Middle Agroclimatic Zone	20.8		14.4
Southern Agroclimatic Zone	61.5		68.1
Total	100.0		100.0
Middle Income			
Northern Agroclimatic Zone	29.7	35.7	32.0
Middle Agroclimatic Zone	25.9	23.1	20.5
Southern Agroclimatic Zone	44.4	41.1	47.4
Total	100.0	100.0	100.0
Low Income			
Northern Agroclimatic Zone	36.4	44.9	43.1
Middle Agroclimatic Zone	27.0	21.4	20.6
Southern Agroclimatic Zone	36.6	33.6	36.3
Total	100.0	100.0	100.0
Poor			
Northern Agroclimatic Zone	42.5	52.7	53.1
Middle Agroclimatic Zone	29.4	20.6	20.0
Southern Agroclimatic Zone	28.1	26.7	26.9
Total	100.0	100.0	100.0

Source: *NCS*, FOS and National Survey of Integrated Households

Figure 2.9: Distribution of the Communities By Agroclimatic Regions (1992)



2.51 The concentration of the poor population in a relatively small number of communities is relevant for the design of cost-effective criteria for targeting public programs and development projects. At present, the common methods of targeting programs and projects in most developing countries -- where the necessary data for targeting on *individual* households are usually not available -- aim at reaching the entire population of a given *sector*, e.g., the rural sector, or the entire population in a particular *region*. These methods of targeting are likely to be ineffective, however, and to require large resources. A program targeted on the *entire* rural population, for example, will include also all the non-poor rural households but leave out the urban poor.

percent of the communities that have been classified as "non-poor", *all* the households that were included in the (random though small) sample had per capita expenditures above the national median level. The *average* income of all the households in this category was more than five times higher than the average income per capita of the households in the category of "poor" communities.

2.48 The relative homogeneity of most communities -- particularly the rural communities -- in terms of the standard of living of the majority of their households is a direct product of environmental factors that have much the same effect on all the households in the community. All residents of a given rural community are affected by the same agroclimatic conditions and by the same geographical/location conditions -- primarily the distance from the large urban center and the distance from the trade center or the port. They are also equally affected by the availability (or unavailability) of certain public goods that have a direct impact on their income generation capacity. Of particular importance is the quality of an *access road* to the community.

2.49 There were, however, considerable differences between regions in the degree of concentration of the poor in separate communities. In the south, only 14 percent of the region's *total population* resides in communities that have been classified as "poor" whereas in the north one-third of the population of that region reside in this type of community and in the middle region it is nearly one-quarter. In the northern agroclimatic zone 58 percent of the *poor population* reside in 24 percent of communities that were classified as "poor"; in the middle region 49 percent of the poor individuals reside in 20 percent of the communities that were classified as "poor"; in the south, only 11 percent of the communities were classified as "poor" and 44 percent of the poor individuals in that region reside in these communities. (Table 2.17) These differences have important ramifications on the criteria for targeting programs and projects.

Table 2.17: Distribution Across Categories of Communities and Agroclimatic Regions 1992 (in percent)

	All individuals			Poor individuals			Communities		
	North	Middle	South	North	Middle	South	North	Middle	South
Poor	32.5	22.8	13.6	58.1	49.1	43.6	24.3	20.0	11.1
Low Income	21.7	19.2	14.4	25.4	26.6	28.2	19.6	17.2	13.5
Middle Income	35.8	42.6	41.9	16.5	23.5	28.3	43.2	44.7	44.5
Non-poor	10.0	15.3	30.7	-	-	-	12.9	18.1	31.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *NCS*, FOS and National Survey of Integrated Households

2.50 The share of the three agroclimatic regions in the total number of "poor" and "non-poor" *communities* is shown in Figure 2.9. Whereas 61.5 percent of the "non-poor" communities are in the south, 43 percent of the "poor" communities are in the north.

2.46 To examine the relative concentration of the poor (in a relatively small number of communities and the concentration of the non-poor in separate communities), all the communities that were included in the sample have been divided into the following four categories using the 1992 National Consumer Survey data:

(i) **Poor communities**: Defined as communities in which the majority of the households were poor **and** the *average* per capita expenditure of the households in the community was below the poverty line.

(ii) **Low income communities:** In which the minority of the households were poor **and** the *average* per capita expenditure of all households in that community was *below* the national median level.

(iii) **Middle income communities:** In which minority of the households were poor **and** the *average* per capita expenditure of the households in that community was *above* the national median level.

(iv) **Non-poor communities:** in which *all* the households included in the survey had per capita expenditures above the national median income.

Table 2.16: Communities and Individuals by Income Category, 1992 (Percent)

Community Category	Communities	Poor (Individuals)
TOTAL POPULATION		
Non-Poor	22.2	0
Low-Middle Income	44.1	21.8
Low Income	16.3	26.5
Poor	17.4	51.7
Total	100.0	100.0
RURAL POPULATION		
Non-Poor	22.4	0
Low-Middle Income	41.8	20.2
Low Income	15.4	24.4
Poor	20.4	55.4
Total	100.0	100.0
URBAN POPULATION		
Non-Poor	21.9	0
Low-Middle Income	47.5	24.8
Low Income	17.5	30.5
Poor	13.0	44.8
Total	100.0	100.0

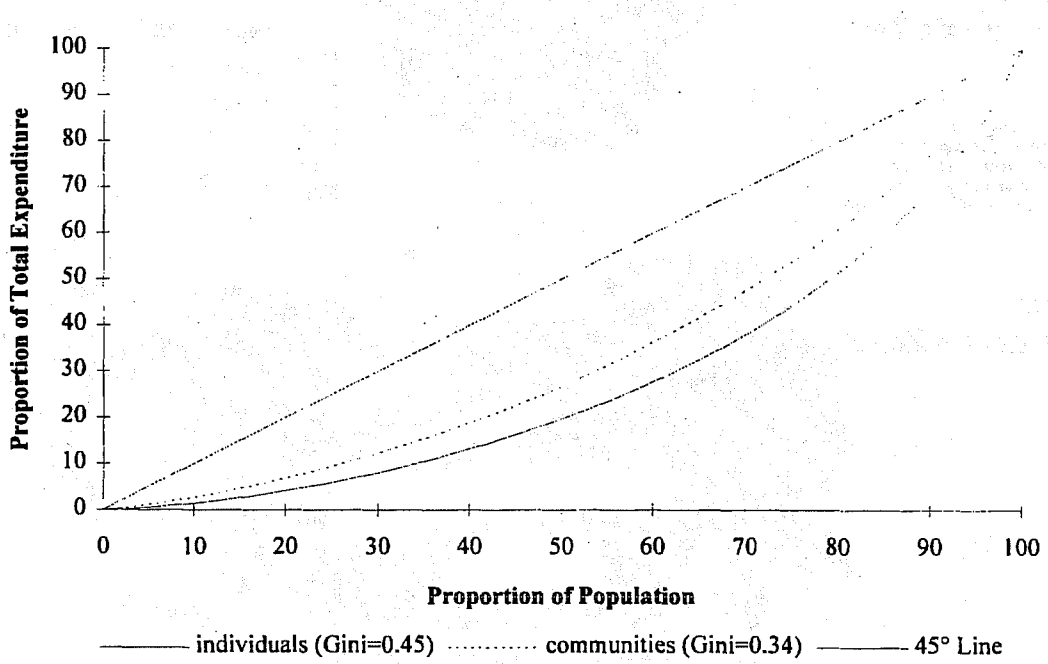
Source: *NCS*, FOS and National Survey of Integrated Households.

2.47 The distribution of all individuals across these four categories of communities is summarized in Table 2.16. It is notable that nearly 80 percent of the *poorer individuals* in Nigeria reside in only one-third of communities that have been classified as "poor" and "low income." The "poor" communities alone constitute only 17 percent of the total communities but 52 percent of the poor population live in these communities and their average per capita income is 30 percent below the poverty line. Equally important, in 22

2.44 Highlighting the varied picture of poverty, large declines in *extreme* poverty were recorded in some states in all three regions. Extreme poverty declined in Kaduna between 1985-92 from 15.6 percent to 7.9 percent, and in Ondo from 16.8 percent to 10.4 percent, while in Niger it declined from 29.5 percent to 17.6 percent. However, between 1985-92 the majority of the states, from the middle and southern zones showed an increase in extreme poverty in terms of all three poverty measures, namely: Anambra, Cross River, Imo, Kwara, Lagos (rural), Oyo, Plateau and Rivers. These increases raised the national extreme poverty level from 12 percent in 1985 to 13.6 percent in 1992.

2.45 **Poverty Across Communities.** A characteristic of the income distribution in Nigeria which appears to emerge from the analysis of the survey data is the *relative homogeneity* of the communities in terms of the income level of their households; in other words, the poor households tend to be in communities in which most of the other households are also poor, whereas the non-poor households tend to be in communities in which the population is largely non-poor. As a result, the overall income inequality in the economy is due largely to income inequality *between* communities and much less to income inequality between households *within* communities (Figure 2.8). [19]

Figure 2.8: Lorenz Curve of the Distribution of Expenditure, 1992



[19] The sample of households was drawn in two stages. First, a *random* sample of some 1500 Enumeration Areas (EA) was selected out of the total of some 4000 EAs in the country; second, a *random* sample of 5 to 15 households was selected in each EA. The Lorenz curve between communities has been drawn by allocating to each individual in a community the average per capita consumption of all households in that community. It should be noted, however, that the illustration in Figure 2.8 is not a formal proof since that would require the calculation of an additively decomposable index of inequality rather than the Gini measure.

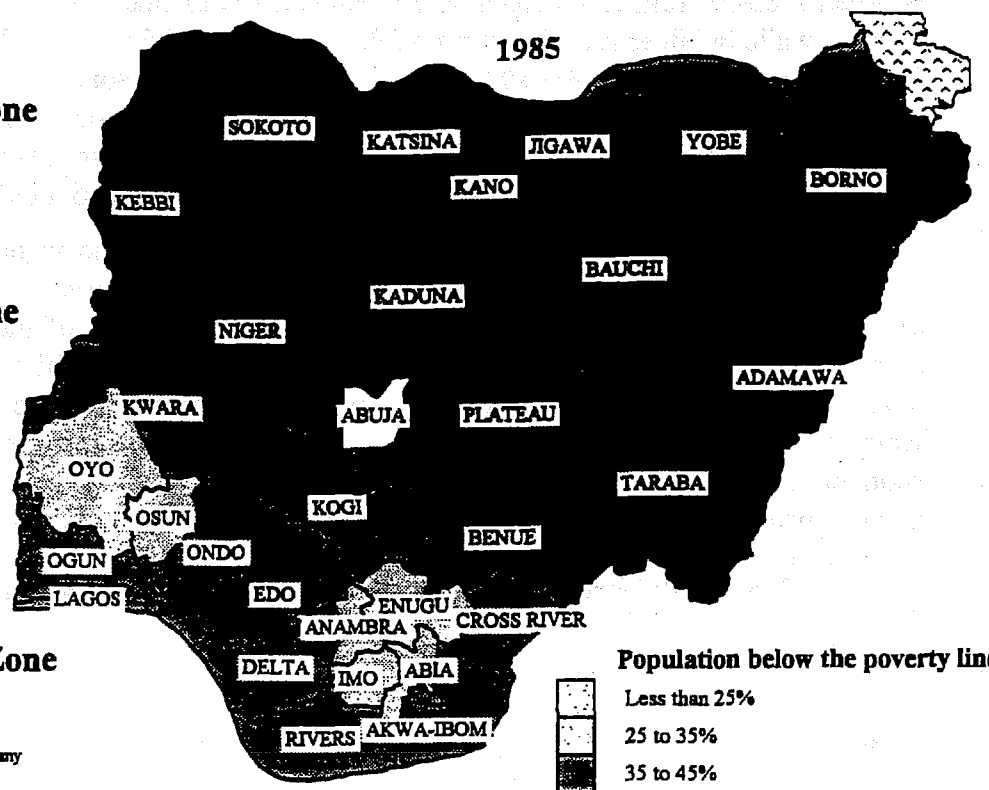
NIGERIA

Percentage of the Population below the Poverty Line 1985 and 1992

Map Features

State Boundaries

Lake Chad



Population below the poverty line

- Less than 25%
- 25 to 35%
- 35 to 45%
- More than 45%

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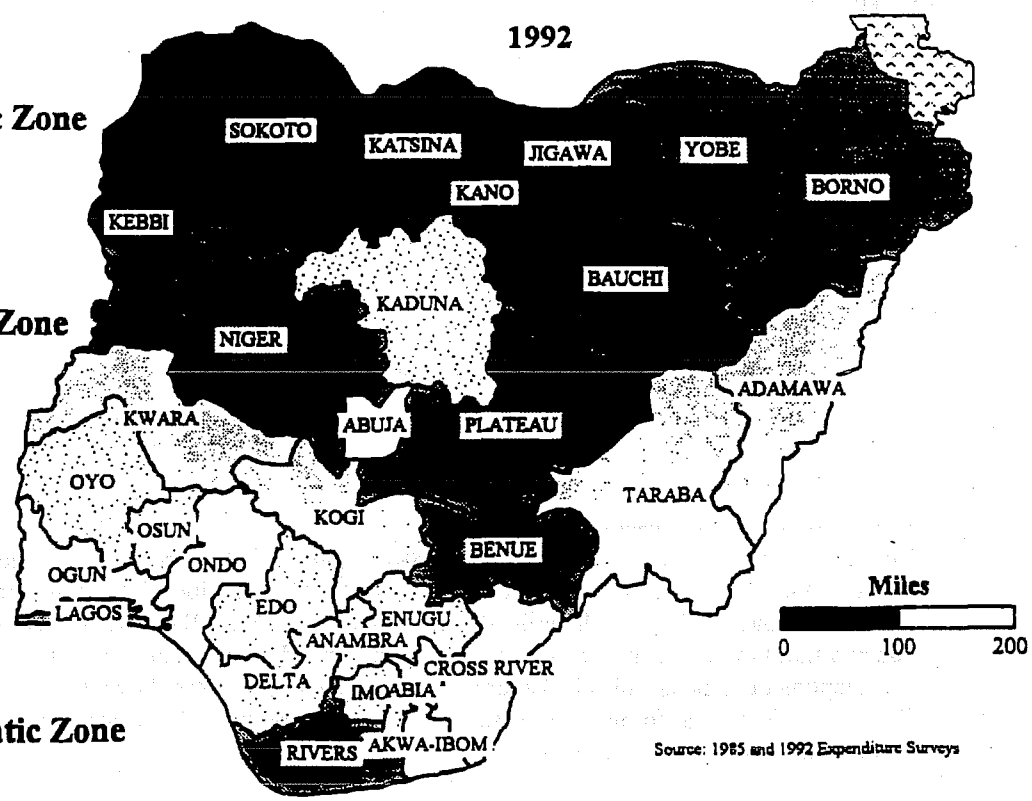

Source: 1985 and 1992 Expenditure Surveys

which show significant improvement. For example, in *urban* areas, Adamawa, Anambra, Enugu, Kaduna, Kogi, Kwara, Ogun, Ondo, Osun, Oyo, and Taraba show percentage increases in MPCHHE in excess of 30 percent. In *rural* Nigeria, all states except Bauchi, Borno, Jigawa, Kano, Katsina, Kebbi, Rivers, Sokoto and Yobe, show more than 30 percent increase in average per capita expenditure.

2.42 The shifting picture of poverty in Nigeria on a state-by-state basis shows that poverty declined in almost all areas except the north, and the improvement was particularly marked in the south as highlighted in Map 2.3.

2.43 Although nationally poverty declined in Nigeria between 1985 and 1992, there were states in all three agroclimatic regions which did not reflect a reduction. For example, Sokoto showed poverty increasing from 46.9 percent of the population to 52.6 percent; Rivers from 35.8 percent to 37.9 percent, and Lagos (urban) from 24.0 percent to 27.9 percent. (Table 2.15)

Table 2.15: Poverty in Nigeria by State, 1985-92 (Poverty Line =₦ 395.41)

	1985/86			1992/93		
State	Incidence	Depth	Severity	Incidence	Depth	Severity
Lagos (urban)	24.0	7.0	3.2	27.9	0.9	0.3
FCT	0.0	0.0	0.0	49.5	24.5	15.7
Anambra	30.9	10.4	4.5	16.3	5.9	3.1
Bauchi	58.7	24.7	13.2	55.6	23.6	13.3
Bendel	41.7	14.6	6.7	16.2	6.1	3.3
Benue	46.0	18.3	9.3	36.8	17.6	11.4
Borno	42.1	16.8	8.7	41.8	18.5	10.8
Cross River	42.1	13.9	6.1	33.0	15.6	9.4
Gongola	48.8	19.1	9.8	31.7	12.9	6.8
Imo	32.2	10.1	4.5	14.4	6.6	4.0
Kaduna	49.8	18.0	8.7	24.7	9.7	5.3
Kano	48.3	16.4	7.6	50.8	19.9	10.4
Kwara	41.3	13.0	5.4	31.4	13.6	8.2
Lagos rural	36.1	11.6	5.2	36.1	14.5	7.6
Niger	56.6	28.5	18.2	44.4	20.0	12.2
Ogun	45.4	14.5	6.2	26.3	9.7	4.8
Ondo	44.5	17.9	9.3	26.6	11.2	6.6
Oyo	31.5	7.2	2.4	22.9	8.8	4.7
Plateau	47.5	17.2	8.7	42.6	18.8	11.3
Rivers	35.8	9.7	3.6	37.9	15.8	8.8
Sokoto	46.9	18.5	9.4	52.6	25.6	15.8
All Nigeria	**43.0**	**15.7**	**7.9**	**34.1**	**14.7**	**8.5**

Source: *NCS*, FOS, 1985/86 and 1992/93.

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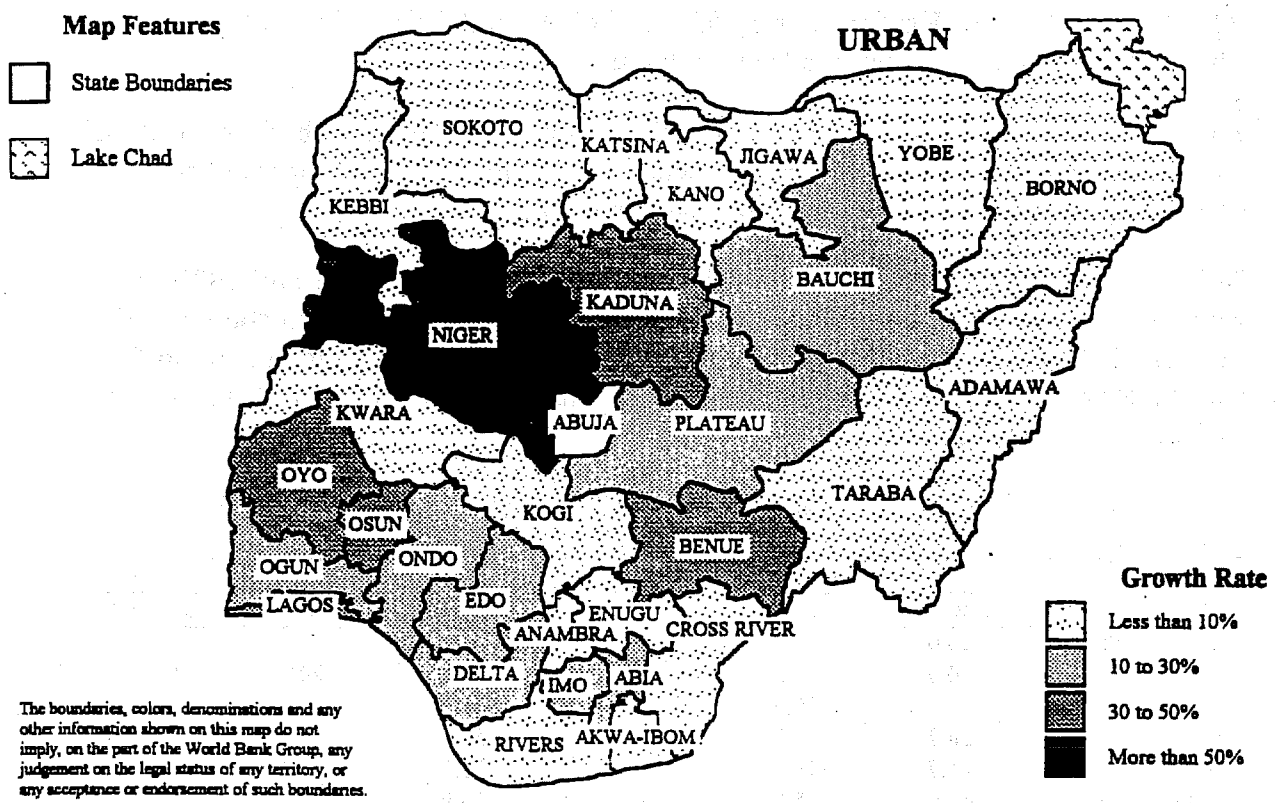
Estimated Percentage Change in Total Expenditure 1985 - 1992



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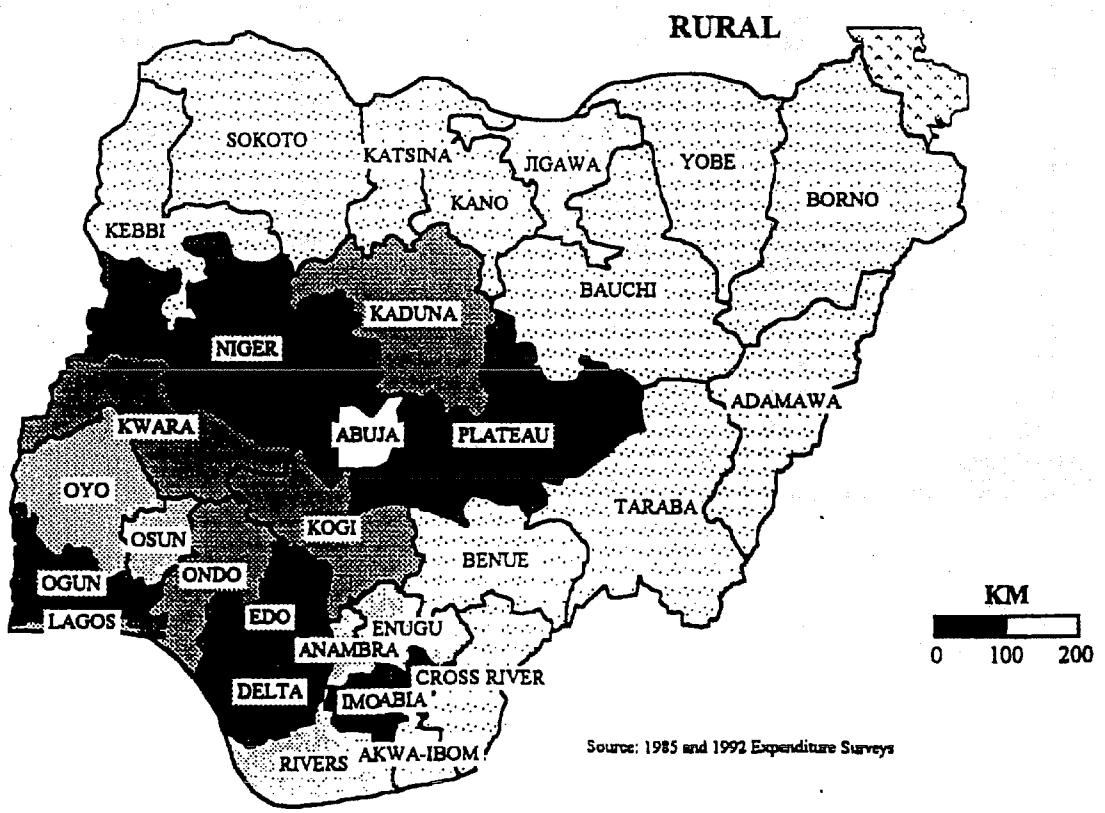


Source: 1985 and 1992 Expenditure Surveys

in their contribution to national poverty, in part because farm price increases were matched by increases in input prices.

2.39 **Regional Profile of *Urban* Poverty.** In 1992, the urban and semi-urban population was 38 percent of the total population in Nigeria, and there were considerable regional variations in urbanization and in average expenditure per capita in urban areas (Table 2.14). There were also significant differences in average expenditures in the three agroclimatic regions. Although the urban population in the northern zone had higher expenditures per capita than the rural, the average expenditure was 45 percent below that of the urban population in the south. As a result, around 42 percent of the urban population in the northern region was poor in 1992, compared with 37 percent of the urban population in the middle zone and only 22 percent of the urban population in the south. Between 1985 and 1992 there was also a slight drop in the headcount measure of poverty in urban areas in the middle zone -- from 38 to 37 percent, and in the South -- from 29 to 22 percent. In the northern belt, however, the headcount measure of urban poverty rose from 33 to 42 percent. As a result, of the total urban poor, the share of the urban poor in the northern belt rose from 34 to 39 percent and in the middle it increased from 19 to 23 percent, while the share of the urban poor in the south dropped from 47 to 38 percent.

Table 2.14: Expenditures and Population in Urban Areas, 1992

Urban Areas	Average Expenditure Per Capita (Constant, 1985 Naira)	Ratio of Expenditures: Urban/Rural	Region's Share in Total Urban Population (Percent)	Region's Share in Total Urban Poor Population (Percent)
North	643	102	28.0	38.7
Middle	733	96	18.7	22.9
South	932	99	53.3	38.4
All Urban Population	813	104	100.0	100.0

Source: NCS, FOS, 1992/93.

2.40 Despite the increase in national income and the decline in the headcount of poverty in the middle and the southern zones, the urban population in *extreme poverty* in these two regions did not benefit much from the growth. There was a considerable increase in the gap between the extreme poor and non-poor income groups in these two regions. Because the decline in urban poverty in the south did not reach the *extreme* poor, their share in urban poverty nationally jumped from 23 to 40 percent. In the northern region, there was a slight improvement in the state of the extreme poor in urban areas despite the stagnation of the economy in the region, and their share in the total urban poor halved from 24 to 12 percent.

2.41 **Poverty Across States.** The above regional perspective, although illuminating, hides the intra-regional variation that is prevalent. The mean per capita expenditures in each state has grown by different percentages. It is therefore useful to see the percentage changes in MPCHHE by state and by urban-rural split (Map 2.2). Some states in the middle belt lead in urban poverty reductions, and some states have rural areas

Table 2.13: Patterns of Crop Production by Region, 1990 (in '000 ha)

Crop	Southern Zone	Middle Zone	Northern Zone	Area Across Zones	Share in Total Cultivated Area (%)
ANNUAL CROPS					
Yam	612.00	304.00	45.00	961.00	5.75
	(63.69)	(31.63)	(4.68)	(100.00)	
Cassava	362.00	119.00	18.00	493.00	2.95
	(72.56)	(23.84)	(3.60)	(100.00)	
Sorghum	-	910.00	3876.00	4786.00	28.66
		(19.01)	(80.99)	(100.00)	
Millets	-	216.00	3721.00	3937.00	23.57
		(5.49)	(94.51)	(100.00)	
Maize	372.00	656.00	690.00	1718.00	10.29
	(21.66)	(38.18)	(40.16)	(100.00)	
Rice	479.00	159.00	22.00	660.00	3.95
	(72.58)	(24.09)	(3.33)	(100.00)	
Groundnut	9.00	189.00	646.00	844.00	5.05
	(1.07)	(22.39)	(76.54)	(100.00)	
Cotton	-	-	80.00	80.00	0.48
			(100.00)	(100.00)	
Beans*	4.00	92.00	2172.00	2268.00	13.58
	(0.18)	(4.05)	(95.77)	(100.00)	
Sub-total	***1812.00***	***2663.00***	***11272.00***	***15747.00***	***94.29***
	(11.51)	***(16.91)***	***(71.58)***	***(100.00)***	
TREE CROPS					
Cocoa	500.00	-	-	500.00	3.00
	(100.00)			(100.00)	
Oil Palm**	200.00	-	-	200.00	1.20
	(100.00)			(100.00)	
Rubber	253.00	-	-	253.00	1.51
	(100.00)			(100.00)	
Sub-total	***953.00***	-	-	***953.00***	***5.71***
	(100.00)			***(100.00)***	
GRAND TOTAL	**2765.00**	**2663.00**	**11272.00**	**16700.00**	**100.00**
	(16.56)	**(15.94)**	**(67.50)**	**(100.00)**	

Source: Compiled by Agricultural Projects Monitoring and Evaluation Unit (APMEU) from state Agricultural Development Projects survey data, 1990

* Includes all other crops

** 1.20 million ha. are under wild palm alone, but since they are sparsely distributed, only their effective area under cultivation is considered

2.38 In the rural southwest, the cocoa producing region, the depth and severity of poverty declined sharply, stimulated by the liberalization of cocoa marketing and the improvement in the real effective exchange rate, which raised the prices of tradable export crops. Disaggregating the incidence of poverty by states makes this clearer. Ondo, Oyo and Kwara, cocoa producing states, showed a substantial decline in poverty incidence between 1985-92, especially in rural areas. Among the southern states, Anambra and Cross River (in the southeast) showed increases in extreme poverty. The middle states, where the primary economic activity is agriculture-based, remained stable

2.35 As noted in para. 2.11, throughout Nigeria and especially in the southern zone the *extreme poor* did not benefit as much from the growth process as other income groups. As a result, the share of the *extreme poor* in the *total poor* population remained high. It increased from 24 to 31 percent in the southern zone, but in the northern zone, which has the highest proportion of extreme poor in the total poor population, there was a decline from 53 to 47 percent. In the middle zone, the share of the extreme poor in the total poor population remained at around 23 percent. These shifts highlight the redistribution of income *among* the poor which occurred between 1985 and 1992.

2.36 **The Regional Profile of *Rural* Poverty.** Differences in income and poverty levels between the three regions are particularly pronounced in rural areas. In 1992, average per capita household expenditure in rural areas was ₦ 780 (in 1985 prices), but varied from ₦ 630 in the northern regions to ₦ 937 in the southern regions (Table 2.12). There were significant differences between the three agroclimatic regions in the headcount measure of rural poverty in 1992 and in the pattern of change in poverty between 1985 and 1992. In the northern and middle zones there were significant reductions in rural poverty (from 55 percent to 47 percent and from 52 percent to 39 percent respectively). But in the southern zone it was a particularly sharp decline -- from 42 to 25 percent.

Table 2.12: Expenditures and Population in Rural Areas, 1992

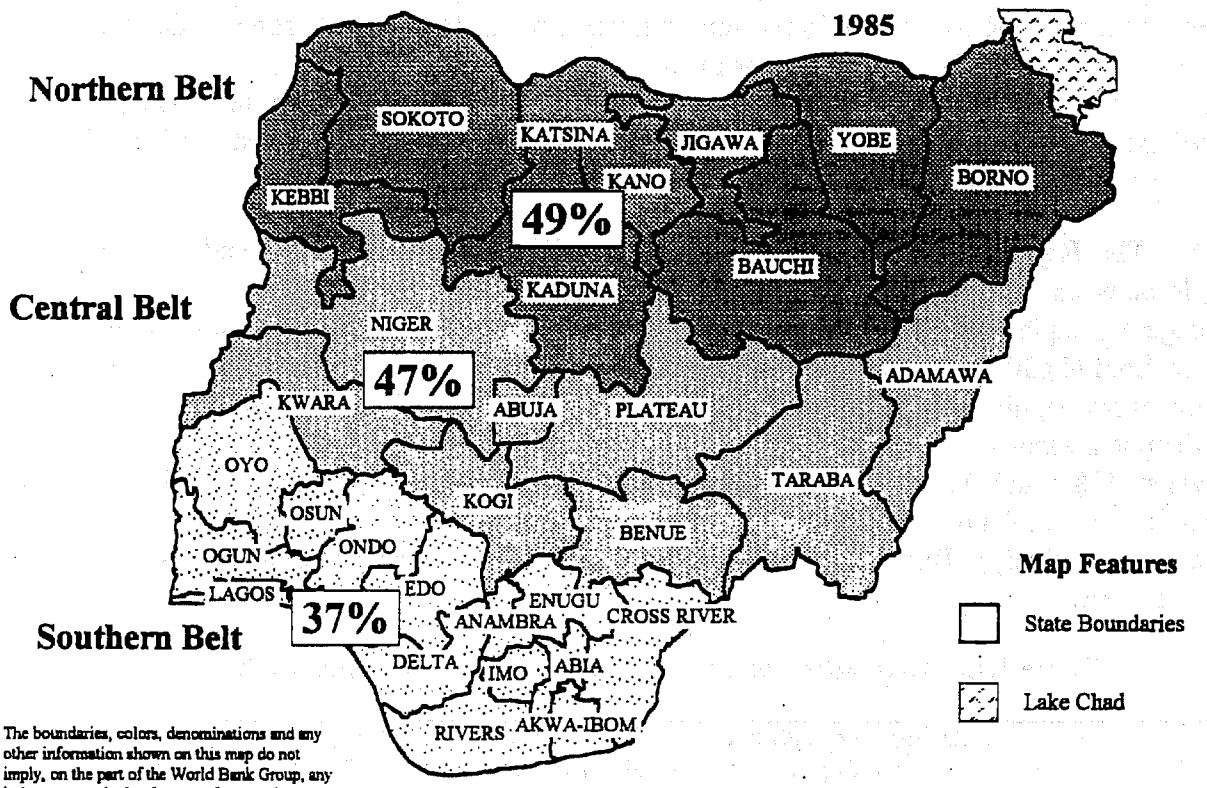
Agroclimatic Zone	Average Expenditure per Capita (Constant 1985 Naira)	Region's Share in Total Rural Population (Percent)	Region's Share in Total Rural Expenditure (Percent)
Northern	629.7	40.6	32.9
Middle	766.1	18.7	18.4
South	936.7	40.6	48.7
All rural	779.9	100.0	100.0

Source: NCS, FOS, 1992/93.

2.37 These differences in part reflect the variations in regional agricultural production (Table 2.11). The south produces the primary export crops, including cocoa, palm kernel and palm oil as well as sorghum, millet, and maize; the main agricultural output in the north is sorghum, millet, cowpeas, groundnuts, cotton and livestock, and also rice and wheat in limited *fadama* areas. There is significant border trade in the north in millet, sorghum and live animals but often unrecorded. The fact that some northern states (Kano and Sokoto) showed an increase in poverty incidence between 1985-92, possibly reflects declining incomes in the important livestock industry of the region.

NIGERIA

Percentage of the population below the poverty line 1985 and 1992



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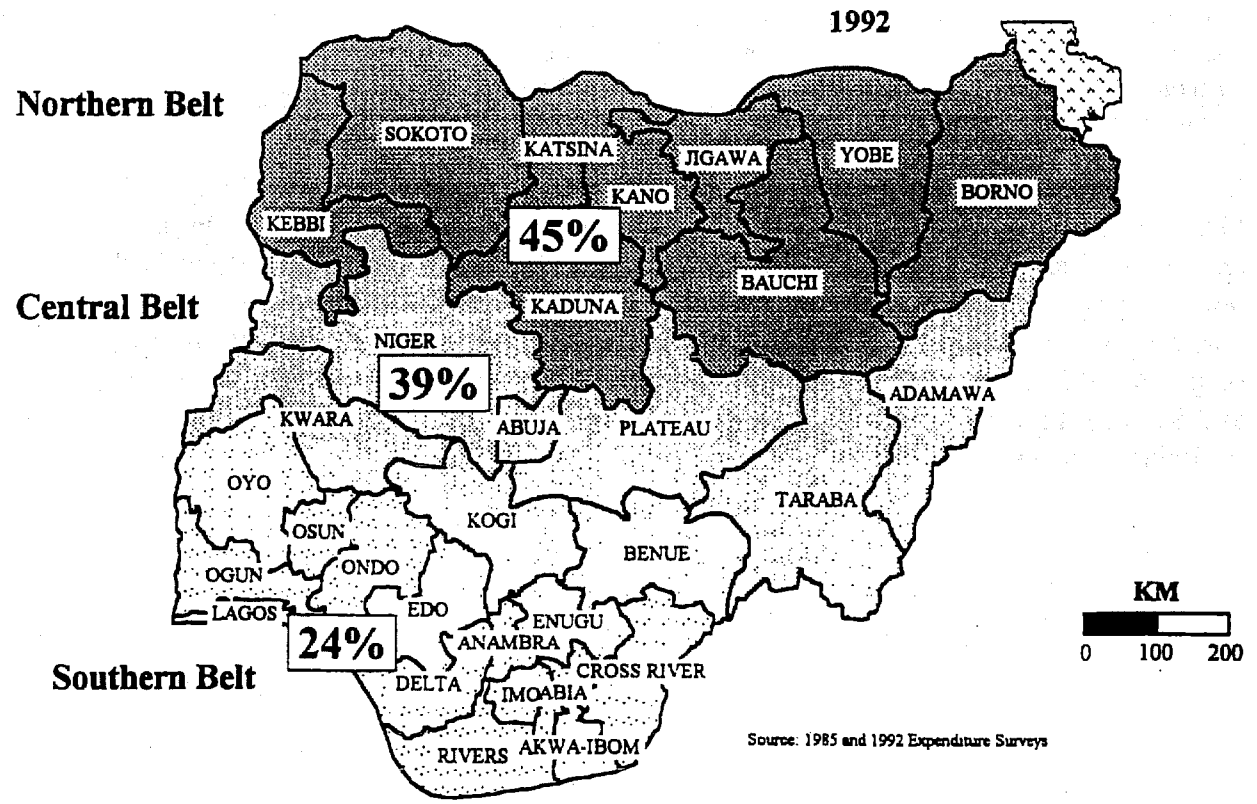


Source: 1985 and 1992 Expenditure Surveys

southern zones accounted for 32 percent of the poor and 31 percent of the extreme poor, much less than their shares of national income and population. The middle states -- the "food basket" of Nigeria -- had 21 percent of the poor and 22 percent of extreme poor.

2.33 The regional imbalance is highlighted in Table 2.11 -- while the north had nearly half of all the poor, and nearly half of all those living in extreme poverty, it had only just over one-third of the total population. On the other hand, the south had nearly one-half of the population, but only one-third of the poor or the extreme poor. The states with the highest percentage of poor were in the middle and northern zones, namely Kano, Sokoto, Bauchi, Niger, Plateau and Borno. About one-third of all poor people are in Sokoto, Kano and Bauchi.

Figure 2.7: Distribution of Income, Population and Poverty in Three Regions, 1992

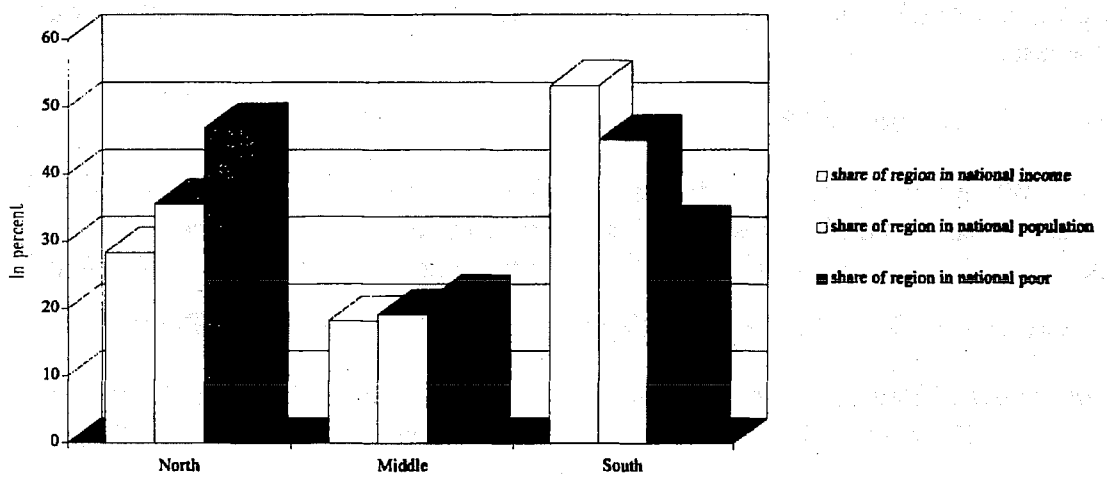


Table 2.11: Population of Nigeria In Poverty, 1992

Agroclimatic Zone	Total Population	Poor	Extreme Poor	Share of Poor in Total Pop. in Zone
North	36	47	47	45
Middle	19	21	22	38
South	45	32	31	24
	100	100	100	..

2.34 The relatively rapid economic growth in the middle and southern belts during these years -- at an annual rate of around 4 percent -- resulted in a particularly sharp decline in poverty in these two regions (Map 2.1). The most notable decline was in the southern zone where the proportion of the poor declined from 37 percent of the population in the region to only 24 percent. In contrast, in the northern zone, the decline in the headcount measure of poverty was more modest from 49 to 45 percent. However there was unevenness among the states within each zone.

2.30 **Employment**. All types of households are represented across a broad range of occupations, although polygamous households show the least diversity. Both types of female headed households are either absent from or minimally represented in manufacturing but 5-11 percent of all students and apprentices are females heading households. Over three-quarters of all individuals are self-employed. In male headed households, 11 percent of polygamous household heads and 21 percent of single men are wage earners. Among female headed households around 10 percent are wage earners. For all heads of all households, agriculture/forestry is the primary or dominant area of occupation, especially for polygamous household heads (67 percent) down to around one-third for heads of single male headed and female de jure headed households; for this last group of household heads, their primary occupation is in selling.

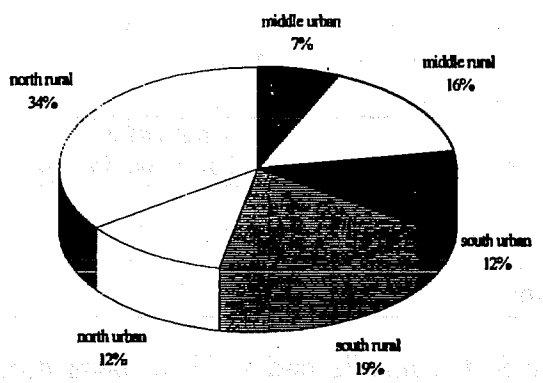
2.31 These four groups of characteristics of different types of households confirm the differentiated nature of poverty in Nigeria but three themes are overwhelming: regional/ urban-rural, educational status, and dependence on agriculture or the rural economy for income and employment. The regional profile of poverty, discussed below, explores these issues.

Regional Dimensions of Poverty

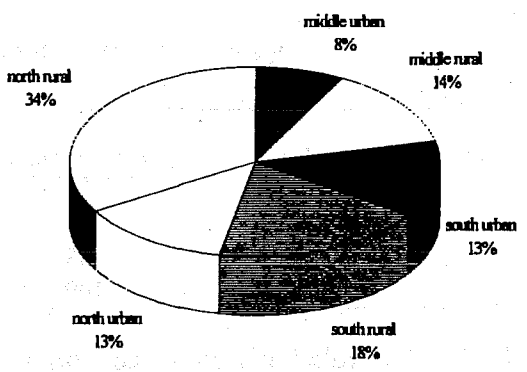
2.32 While poverty declined throughout Nigeria between 1985 and 1992, there were significant regional differences reflecting the differing economic structures. For example, when classified by agroclimatic zones[18], the northern zone accounted for 46 percent of the

Figure 2.6: Contribution of Regions to Poverty and to Extreme Poverty, 1992

Incidence of Poverty by Agroclimatic Zones and Regions



Incidence of Extreme Poverty by Agroclimatic Zones and Regions



Source: *Evolution of Poverty and Welfare in Nigeria 1985-92*, Background Paper, April 1996.

poor and 47 percent of the extreme poor in 1992, by far the highest proportions (Figure 2.6) and much higher than its share of national income or population (Figure 2.7). The

18 See regional definition in footnote 16.

2.28 **Poverty Status.** A small proportion of households are headed by women -- 10 percent. The probability that a female headed household is in poverty varies depending on rural and urban location, and whether the female role is de jure or de facto. Female headed households are 9 percent of rural households, but contribute only 5.4 percent of all poor in rural areas of these, de jure female headed households are 7.3 percent of all rural households yet contribute only 3.8 percent to the rural poor. Among male headed households in rural areas, both the depth and severity of poverty is greatest in polygamous households affecting a large number of women; such households make up 27 percent of all rural households yet contribute 37 percent of the rural poor. The poverty status of households in urban areas follows a similar pattern -- with one exception, the depth and severity of poverty in single male headed households exceeds that of all other households, being almost three to five times greater than in female headed households.

Table 2.10: Poverty by Household Type, Rural and Urban, 1992
(in percent)

	Headcount	Contribution	Depth	Contribution	Severity	Contribution
			RURAL			
Monogamous Male Headed	34.0	54.8	15.4	54.8	9.0	54.4
Polygamous Male Headed	49.6	37.0	16.3	39.1	9.6	39.3
Single-Male Headed	19.4	2.8	15.6	2.8	9.2	2.8
De Facto Female Headed	33.4	1.6	9.9	1.0	5.8	1.0
De Jure Female Headed	19.3	3.8	9.4	2.3	5.8	2.5
All	36.4	100.0	15.4	100.0	9.1	100.0
			URBAN			
Monogamous Male Headed	25.4	47.7	12.7	44.1	6.5	41.5
Polygamous Male Headed	53.9	39.5	15.4	44.5	8.4	44.8
Single-Male Headed	15.7	4.6	21.7	7.2	16.0	9.9
De Facto Female Headed	36.1	1.8	7.5	1.0	3.3	0.8
De Jure Female Headed	19.4	6.4	6.9	3.2	3.6	3.0
All	30.4	100.0	13.7	100.0	7.5	100.0

Source: NCS, FOS, 1992/93

2.29 **Welfare Characteristics.** *Age.* Single male headed household heads are consistently younger than other male household heads, matched by the age of de facto female headed households in urban areas. *Education.* Three-quarters of polygamous households are headed by a man with no formal education, and only 6 percent have completed primary education. By contrast, only one-third of the single male headed households had no formal education and one-quarter had completed primary school. Both types of female headed households show a similar distribution of education, in general lower than the non-polygamous male headed households. This is confirmed by the literacy levels of men -- men are more likely than women to be literate in all forms of households, with a small gap (5 percent) in male headed households, 12 percent in polygamous, and almost 20 percent in female headed households. The median years of schooling for males/females in urban/rural areas were 6/3 years and 0.9/0.7 years respectively.

Gender

2.26 Analysis of the 1992 Household Survey identified four key aspects of poverty: location, status, welfare and occupation which could be examined by household type. The results highlight the poverty of all polygamous households, of single male headed households in urban areas, and the constraints on women's educational and employment opportunities as reflected in the type of household in which she lives.

2.27 **Location.** Male headed households (with the traditional pattern of one-man one-wife) are 90 percent of all households (Table 2.9), with 58 percent of them reported as monogamous (62 percent in rural areas, 35 percent in urban). Polygamous households (one man with more than one wife) make up 25 percent of all households. Households headed by single men are about 7 percent of all households. The balance, 10 percent, are households headed by women: 8.3 percent are "de jure" (that is, headed by women who are divorced, widowed, separated or never married) and 1.7 percent are "de facto" (where the spouse either does not live at home or was away at the time of the interview).[17] In the northern and middle zones, one-third of all households are polygamous, but only one-sixth in the southern, with monogamous male headed households predominating with 55-62 percent of all households in all three zones. The incidence of single male headed households and of both categories of female headed households increases from north to south.

Table 2.9: Distribution of Households by Type and Agroclimatic Zone, 1992
(in percent)

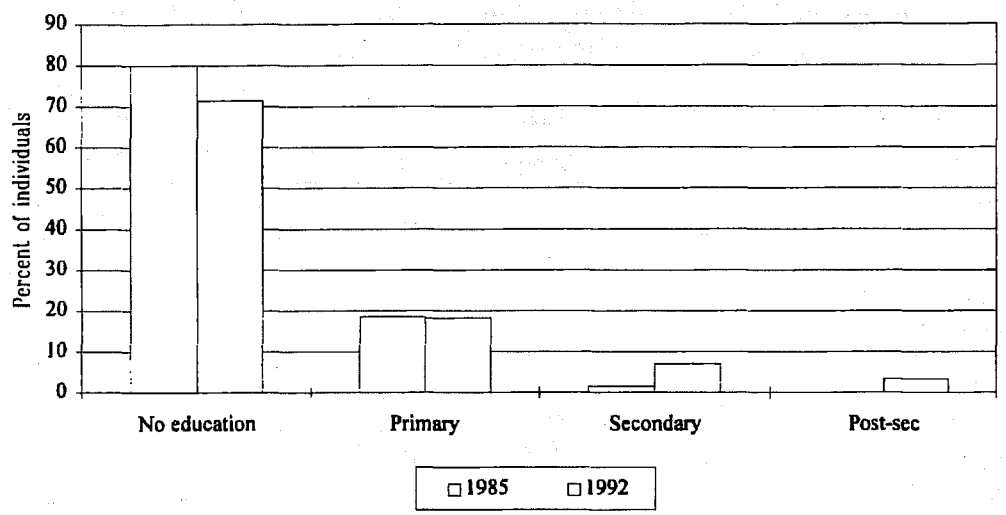
	Northern	Middle	Southern	All Nigeria
Monogamous Male Headed	61.9	55.2	56.4	58.1
Polygamous Male Headed	32.9	31.1	16.9	25.2
Single-Male Headed	2.4	7.1	9.7	6.7
De Facto Female Headed	0.9	1.2	2.4	1.7
De Jure Female Headed	1.9	5.4	14.6	8.3
All	100.0	100.0	100.0	100.0
Monogamous Male Headed	37.9	18.2	43.8	100.0
Polygamous Male Headed	46.3	23.6	30.1	100.0
Single-Male Headed	13.4	20.5	66.1	100.0
De Facto Female Headed	20.3	14.4	65.3	100.0
De Jure Female Headed	7.9	12.3	79.8	100.0
All	35.6	19.2	45.2	100.0

Source: NCS, FOS, 1992/93.

[17] The use of "de facto and de jure" female headed households in this analysis should be taken as proxies. An exact definition of the two types of households was not possible because of the survey type. In households where a female declared herself as head, but had a spouse, it was not always possible to verify the whereabouts of the spouse. In this case, the female head was assumed to be head by default, hence de facto headed. In the second case, where a female declared herself as head but there was no spouse in the household, either because she has never married or some other reason, the female head was assumed to be de jure.

percent (Table 2.8). Those identified as professional or technical workers, clerical and sales workers, show an increase in their contribution to national extreme poverty between 1985 and 1992, but the data is very limited.

Figure 2.5: Contribution to Extreme Poverty by Education of Household Head



Source: Evolution of Poverty and Welfare in Nigeria, 1985-92, Background Paper, April 1996.

2.25 Age is a key factor. In households headed by the young -- 16-25 years -- only 20 percent were poor in 1985. Such households were, in fact, a little more likely to be poor in 1992. But the incidence of poverty was lower in 1992 than in 1985 for most other households. The older the household head, the more likely was he or she to lack education and the household to be in poverty in both years. In households with heads over 45 years, nearly half were in poverty in 1985, while 35-40 percent of such households were poor in 1992.

Table 2.8: Distribution of Extreme Poverty by Occupational Category of Household Head, 1985-92

	Percentage of Extreme Poor		Contribution to National Poverty	
Occupational Category	**1985**	**1992**	**1985**	**1992**
Professional/Technical	4.0	13.5	2.6	6.3
Admin/Managers	4.4	7.5	0.2	0.2
Clerical Related	2.4	10.6	0.9	4.2
Sales workers	3.3	8.7	4.0	10.2
Service workers	4.0	10.7	1.2	2.2
Agriculture/Forestry	18.0	16.4	86.6	67.4
Product./Transport.	8.0	12.4	1.5	2.3
Manufacturing/Process.	5.3	5.8	0.8	1.0
Student/Apprentice	2.0	8.7	0.1	3.9
Others	3.9	14.9	2.2	2.4
All Nigeria	**12.0**	**13.6**	**100.0**	**100.0**

Source: NCS, FOS, 1985/86 and 1992/93.

education. By 1992 poverty incidence had declined in both types of households to 39 and 23 percent respectively. Among the extreme poor, lack of education is an overwhelming characteristic (Figure 2.5). Around three-quarters of those in extreme poverty had no education. Only a small fraction of those with secondary education were among the extreme poor.

Table 2.7: Incidence of Poverty by Characteristics of Head of Household and Region, 1985-1992 (Percentage, by Category)

	1985			1992		
	Total	Urban	Rural	Total	Urban	Rural
Education						
No Education	48.1	37.8	51.9	39.5	37.8	40.0
Primary	35.8	28.6	47.5	28.5	28.2	28.9
Secondary	28.3	21.1	28.8	22.9	21.4	25.7
Post Secondary	23.5	23.8	16.2	22.8	23.5	21.5
Employment Status						
Wage Earner	46.0	33.6	51.5	28.4	27.7	29.7
Self-employed	52.5	57.4	51.4	35.1	31.9	36.7
Other	38.7	35.9	45.3	36.5	23.1	43.1
Agroclimatic Zones[16]						
North	48.5	33.1	55.5	44.9	41.7	46.4
Middle	47.4	38.1	52.1	38.0	37.1	48.5
South	36.5	28.9	42.0	23.9	22.1	25.4
Regions[16]						
North	48.3	34.2	54.9	42.9	40.3	44.2
Southeast	36.8	27.3	43.4	24.6	22.6	26.0
Southwest	37.9	32.4	41.9	25.1	23.0	27.1
Age Group of Head						
16-25	20.4	10.1	27.2	22.1	17.2	26.2
26-35	31.7	22.6	38.9	25.1	18.2	30.5
36-45	43.3	30.4	51.2	34.5	31.6	36.5
46-55	48.1	41.1	51.2	38.1	36.4	39.1
56-65	50.4	39.0	55.2	39.6	39.3	39.8
66+	51.8	40.6	57.0	35.3	34.4	35.8
Gender of Head						
Male-headed	43.8	32.6	50.5	35.6	31.7	37.9
Female headed	37.2	27.7	42.1	21.4	20.9	21.8

Source: *Evolution of Poverty and Welfare in Nigeria 1985-92,* Background Paper, April 1996.

2.24 The source of employment is a strong indicator of poverty. Where the head of the household was working, poverty fell substantially by 1992 -- from 52.5 to 35.1 percent for the self-employed; and from 46 percent to 28.4 percent for wage earners. The percentage of extreme poor among agricultural households declined from 18.0 percent to 16.4 percent, while for service worker families it increased from 4.0 percent to 10.7

[16] Agroclimatic zones are classified as: *Northern zone*: Bauchi, Borno, Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, Yobe; *Middle zone*: Benue, FCT (Abuja), Gongola (Adamawa/Taraba), Kogi, Kwara, Niger, Plateau; *Southern zone*: Abia, Akwa, Ibom, Anambra, Bendel, Cross River, Edo Delta , Enugu, Imo, Lagos, Ogun, Ondo, Osun, Rivers and Oyo

Table 2.5: International Decomposition of Poverty: Percentage Changes in Headcount Index

	Growth	Redistribution	Residual	Total
Nigeria, 1985-92	-4.20	+14.10	-18.80	-8.90
Ghana, 1989-92	-2.91	2.18	-0.32	-1.05
Kenya, 1981-92	10.02	1.99	1.85	13.87
Côte d'Ivoire, 1985-88	5.89	-3.06	-2.42	0.41
Morocco, 1984-91	-3.35	0.85	-1.76	-4.42
Sri Lanka, 1985-91	-4.98	-3.34	-0.44	-8.76
China, 1985-90	-1.12	4.96	0.08	3.92
Pakistan, 1984-91	-0.96	-7.83	0.15	-8.64
Panama, 1979-89	0.59	9.08	-0.08	9.59
Brazil, 1979-89	0.66	4.77	-0.02	5.41
Peru, 1985-90	38.41	-3.00	-1.97	33.44
Colombia, 1980-89	-0.42	-1.00	0.05	-1.30

Source: Poverty, Inequality and Growth, Demery et al, World Bank, 1994 (Mimeo).

A Profile of the Poor

2.22 The data drawn from the FOS Surveys show that poor households differ from non-poor ones in several ways (Table 2.6). Non-poor households spend four to five times as much money as poor households. While the poor spend proportionately more of their expenditures on food, the non-poor spend 3.6 to 4.5 times as much for food. The incidence of poverty is higher in larger households. Poor households have on average three children while non-poor ones have fewer than two. There are more employed people in rural than urban households.

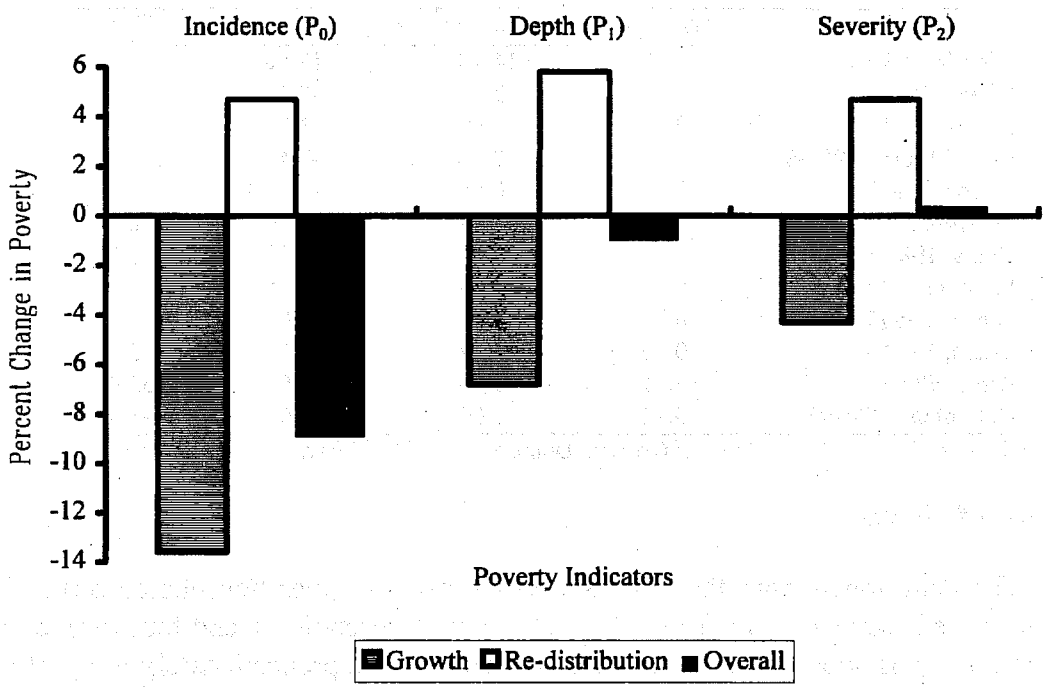
Table 2.6: Characteristics of the Average Poor and Non-Poor Households, 1992

	Urban		Rural	
	Poor	Non-poor	Poor	Non-poor
Per capita expenditure	238.81	1064.12	220.25	1100.02
Food expenditure	189.64	682.16	169.06	736.27
Number of individuals (in millions)	11.9	27.3	22.8	39.9
Household size	7.5	3.8	6.8	4.2
Household heads age	46.5	40.8	47.5	45.4
Number employed	1.9	1.9	2.6	2.6
Number of children	2.9	1.9	2.7	1.9

Source: NCS, FOS, 1985/86 and 1992/3.

2.23 How the different characteristics of heads of households and the regional location of the population affected the incidence of poverty in 1985 and 1992 is shown in Table 2.7. Rural populations are significantly poorer than urban. In addition to rural and urban residence, geographical location is a factor. The incidence of poverty in both 1985 and 1992 was higher in the northern agroclimatic zone and lowest in the south. Education is a critical variable: in 1985 the incidence of poverty was 48 percent in households where the head had no education, and only 28 percent where the household head had secondary

Figure 2.4: Decomposition of Change in Poverty into Growth and Redistribution Effects



2.21 Worsening income distribution with economic growth, as in Nigeria, is evident in a number of countries in the world. A cross country comparison of poverty decomposition indicates the relative importance of growth and redistribution in the decline in poverty (Table 2.5). For example, disaggregation of the impact on poverty shows that in Côte d'Ivoire, in the 1980s, income distribution improved and would, alone, have reduced the headcount index by 3.06 percent, but negative income growth would have resulted in a 5.89 percent increase in the population in poverty; the net result was a 0.41 percent increase in the headcount index. In Ghana, like Nigeria, all of the decline in poverty was due to growth. In only two countries in Asia was the decline in poverty due to both improved income distribution and growth -- Sri Lanka and Pakistan. In Latin America, Colombia also shows a positive contribution to poverty reduction through redistribution. But, in a number of countries, poverty reduction seems to have been achieved more often at the expense of worsening income distribution. To provide an environment that stimulates growth and also ensures equitable income distribution needs carefully tailored policies.

Table 2.4: International Poverty Incidence Comparisons (US$1/day Poverty Line)**

	Incidence	Depth	Severity	Gini
Nigeria, 1985*	31.50	10.20	4.40	.387
Nigeria, 1992*	27.10	10.80	5.70	.450
Ghana, 1991/92	42.00	12.20	5.10	.408
Côte d'Ivoire, 1988	55.80	20.10	9.60	.346
Morocco, 1991	1.60	0.20	0.10	.396
Sri Lanka, 1990/91	23.50	5.00	1.60	.302
China, 1992	10.80	2.50	1.00	.321
Pakistan, 1991	22.30	5.40	2.00	.312
Panama, 1989	19.60	9.20	5.90	.568
Brazil, 1989	26.00	10.90	5.60	.638
Peru, 1990	40.60	14.10	6.70	.439
Colombia, 1991	3.00	0.80	0.30	.513

* For comparative purposes, these calculations are based on a poverty line of ₦ 318 reflecting $1 per day in purchasing power parity for Nigeria, rather than the ₦ 395 used throughout this report.

** See para 2.15 for definitions of Incidence, Depth and Severity

Source: *"Social Impact of Adjustment Operations: An Overview,"* Operations Evaluation Department, Report No. 14776, World Bank, June 1995 (for all data except Nigeria).

2.18 **Income Inequality**. In 1992 the standard of living of the *extreme* poor was lower than in 1985, while the standard of living in households whose expenditures exceeded ₦ 237 was higher in 1992 (as shown in Figure 2.1). The deterioration in the standard of living of the extreme poor, combined with an improvement in the standard of living of the poor, was the result of an increase in income inequality *among* the poor: the Gini measure of income inequality among the poor in 1985 was 0.188 and increased to 0.251 in 1992. It was also the result of a decline in the average per capita expenditure of households that remained poor in 1992 -- from ₦ 254 in 1985 to ₦ 227 in 1992 (in 1985 prices).

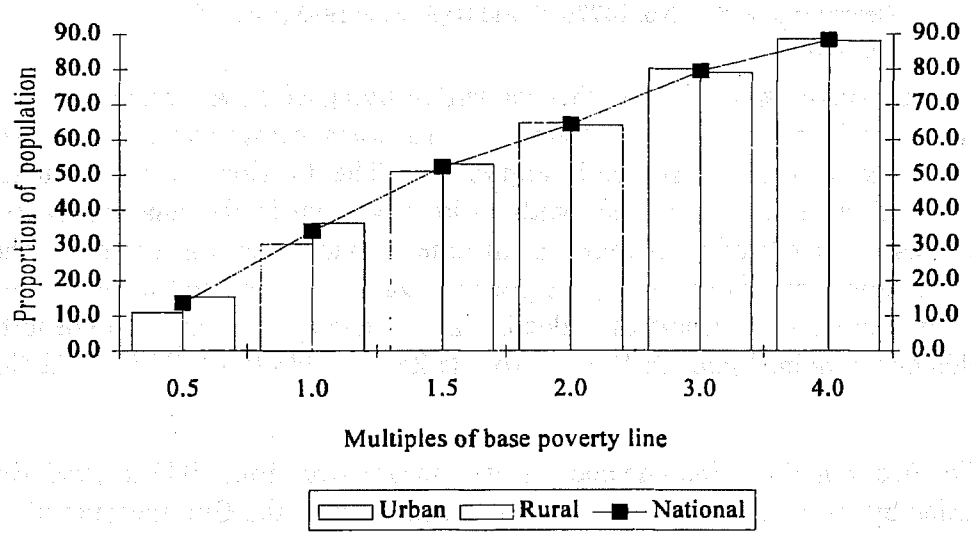
2.19 The rise in national income and private consumption from 1985 to 1992 was also accompanied by an increase in *national* income inequality -- the Gini measure of income inequality rose from 0.387 to 0.450 (Table 2.4). This increase in inequality took place at the two extremes of household income distribution, reflecting growing polarities between the very poor and the very rich. There were only small changes in the relative shares of the seven deciles at the center of the distribution.

2.20 **Growth, Inequality and Poverty**. The decline in poverty in Nigeria was due to growth in average household consumption, which more than offset the deterioration in income distribution. Decomposing the factors causing the reduction in poverty shows that the overall decline of 8.9 percent was the net result of a 13.6 percent growth factor and a 4.7 percent increase in income inequality (re-distribution) (Figure 2.4). The national 8.9 percent reduction in poverty could have been a 13.6 percent reduction had income distribution remained unchanged.

the population whose consumption is below the poverty line), the *depth of poverty* (the average percentage by which a poor person falls below the poverty line), and the *severity of poverty* (the extent of the depth of extreme poverty). Although rural poverty dominates and in 1992 rural areas accounted for 66 percent of the incidence of poverty, 72 percent of the depth of poverty, and 69 percent of the extreme poor, the urban contribution to national poverty increased substantially between 1985-92 by all three measures.

2.16 The headcount measure of poverty in rural and urban areas would change significantly at different poverty lines (Figure 2.3). For example, at one-half of the poverty line (₦ 198), which in this analysis designates the *extreme* poor, the headcount measure of poverty would decrease compared to the basic poverty line (₦ 395): in urban areas from 30.4 to 10.9 percent; in rural areas from 36.4 to 15.4 percent; and nationally from 34.1 to 13.6 percent. At a poverty line of ₦ 791 (twice the one used here) poverty in urban areas and in the nation as a whole would be almost double. This implies that large segments of the urban population are concentrated near the poverty line and are vulnerable to becoming poor with only a modest decline in their incomes.

Figure 2.3: Poverty Incidence in 1992



Source: *Evolution of Poverty and Welfare in Nigeria, 1985-92,* Background Paper, April 1996.

2.17 **International Comparison of Poverty.** The incidence of poverty in Nigeria can be compared with other countries using a poverty line of US$1 per day per person converted to "purchasing power parity" (see para. 2.10). Such a comparison indicates that income inequality in Nigeria in 1992 is substantially greater than in Côte d'Ivoire and Ghana (Table 2.3). Poverty incidence in Nigeria is not much higher than it is in Sri Lanka, but social indicators in Sri Lanka are more advanced. Gini coefficients show that income inequality in Nigeria, and more generally in Africa, are much greater on average than in Asia, but less than in Latin America.

(from 43 percent in poverty to 34 percent)--reflecting the high growth rate of population (of 2.9 percent).

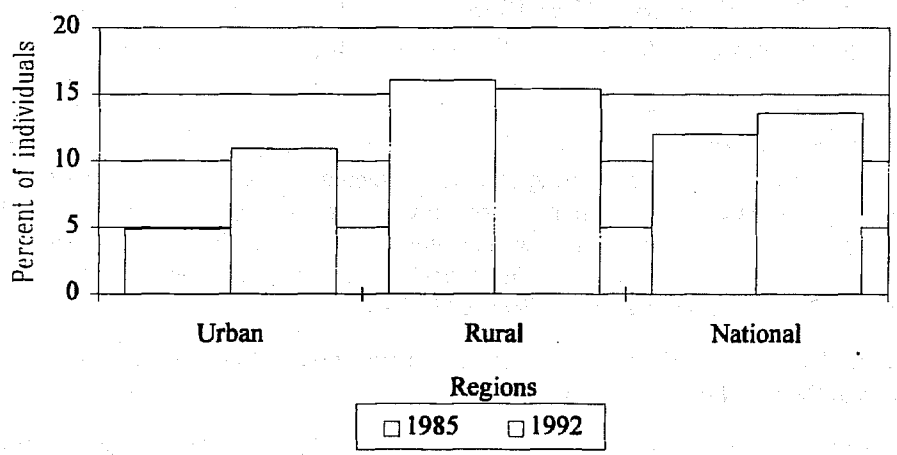
2.14 This overall decline of the number in poverty masks the different trends for the urban and rural areas -- urban poverty increased and rural poverty declined. The number of poor in rural areas fell sharply, from 26.3 million to 22.8 million, while those in urban poverty rose from 9.7 million to 11.9 million. For those in extreme poverty, there is a similar trend of urban immiseration. Incidence of extreme poverty increased nationally from 10 million to 14 million with a tripling of the headcount in urban areas (1.5 million to 4.3 million) and a small increase in rural areas (from 8.6 million to 9.6 million). (The percentage change is shown in Figure 2.2). Nationally in rural and in urban areas, the monogamous male headed and polygamous households make up more than 80 percent of all households in extreme poverty. In both rural and urban areas, all households in extreme poverty are larger than the national average -- headed by individuals with little or no schooling, are predominantly self employed and spend over 80 percent of their income on food.

Table 2.3: Poverty in 1992

	ALL POOR			EXTREME POOR		
	National	Urban	Rural	National	Urban	Rural
Number of People (million)	34.7	11.9	22.8	13.9	4.3	9.6
Poverty Incidence (percent)	34.1	30.4	36.4	13.6	10.9	15.4
Poverty Depth (percent)	14.7	12.0	16.1	8.5	6.1	8.0
Poverty Severity (percent)	8.5	6.5	9.5	3.4	2.2	2.9

Source: Evolution of Poverty and Welfare in Nigeria, 1985-92, Background Paper, April 1996.

Figure 2.2: Incidence of Extreme Poverty by Region, 1985 and 1992



Source: Evolution of Poverty and Welfare in Nigeria 1985-92, Background Paper, April 1996.

2.15 Three measures all show a similar concentration of poverty in rural areas although it is lower in 1992 than in 1985: The *incidence of poverty* (headcount -- the proportion of

middle class households consider themselves to be worse off during this period. The results from the PPA confirm this view.

2.12 The MPCHHFE for all expenditure groups *increased* by nearly 35 percent between 1985 and 1992, while non-food expenditure *increased* by 30 percent in real terms. The share of food in total per capita expenditure was, nationally, 66 percent in 1985 and 67 percent in 1992 (see Table 2.2).[13] While the food share has remained stable, despite an increase in real per capita expenditure and a decline in poverty over this period, the poorest households show a decrease in expenditure on food during the period.[14]

Table 2.2: Per Capita Food Expenditure, 1985 and 1992 (By Population Deciles in Constant 1985 Naira Per Annum)

	1985		1992	
	MPCHHFE	Food Share	MPCHHFE	Food Share
Decile	Naira	%	Naira	%
First five percent	99.20	84	53.85	77
Second five percent	145.89	83	110.41	79
Second Decile	186.50	81	163.89	78
Third Decile	224.17	77	236.95	78
Fourth Decile	260.98	74	309.41	77
Fifth Decile	295.78	70	374.01	74
Sixth Decile	353.27	69	461.17	73
Seventh Decile	408.63	65	567.06	70
Eight Decile	482.14	63	698.77	67
Ninth Decile	595.65	60	947.83	67
Tenth Decile	1047.96	62	1472.48	60
Nigeria	**391.63**	**66**	**530.82**	**67**

Source: *Evolution of Poverty and Welfare in Nigeria, 1985-92*, Background Paper, April 1996.

2.13 Poverty declined between 1985 and 1992, from 36 million out of a 1985 population of 84 million, to 34.7 million out of a 1992 population of 102 million.[15] The small decline in numbers (of 1.3 million) is in contrast to the large percentage change

13 There are several possible explanations for this rise in food share despite an increase in real per capita expenditure and fall in poverty during this period, such as a change in tastes, increase in the relative price of food, reduction in rationing, over-reporting of non-food expenditure in the first survey and under-reporting of non-food in the second, under-reporting of home production, errors in over estimating food prices in 1992, etc.. These aspects are discussed in detail in the Background Paper, *Evolution of Poverty and Welfare in Nigeria, 1985-92.*

14 The food share for 1992 is lower than the 75-80 percent range found by UNICEF in its 1993 Protein Intake and Calorie Nutrition Survey.

15 The population estimates for 1985 and 1992 are taken from the United Nations World Population Projections for Nigeria. However, using lower provisional census figures released by the National Population Commission (NPC) for 1991 of 88.5 million and a growth rate of 2.7 percent per annum, the estimates for 1985 would be 75.4 million and for 1992, 90.9 million with the population below the poverty line falling from 32.3 million and 30 million respectively. (See also the discussion of population data in the Background Paper, *Evolution of Poverty and Welfare in Nigeria, 1985-92).*

for this study (₦ 395) is slightly higher than the minimum wage of unskilled labor in 1985 (adjusted for per capita equivalence) of ₦ 325. It is also slightly higher than a poverty line of US$1/day per person (which, adjusted for purchasing power parity,[12] was ₦ 318) that is a base case which has been used in many multi-country poverty comparisons.

Table 2.1: Distribution of Per Capita Expenditure, 1985 and 1992 (By Population Deciles, Constant 1985 Naira Per Annum)

	1985 MPCHHE	1992 MPCHHE	Percent Change
Decile			
First Five Percent	118.10	70.24	-40.5
Second Five Percent	175.22	140.51	-19.8
Second Decile	229.47	210.94	-8.1
Third Decile	289.98	304.58	5.0
Fourth Decile	351.86	404.13	14.9
Fifth Decile	421.40	505.68	20.0
Sixth Decile	512.03	633.59	23.7
Seventh Deci49	624.13	806.09	29.2
Eighth Decile	769.02	1050.09	36.6
Ninth Decile	998.29	1424.91	42.7
Tenth Decile	1688.69	2489.99	47.5
Mean PCHHE	592.81	792.6	33.7
Moderate Poverty Line (2/3 MPCHHE)	395.41	395.41	--
Extreme Poverty Line (1/3 MPCHHE)	197.71	197.71	--
Moderate Poverty (%)	31.0	20.5	-10.5
Extreme Poverty (%)	12.0	13.6	+1.6
Non-Poverty (%)	57.0	65.1	+8.1
Gini Index	0.387	0.449	16.0

Source: Evolution of Poverty and Welfare in Nigeria, 1985-92, Background Paper, April 1996.

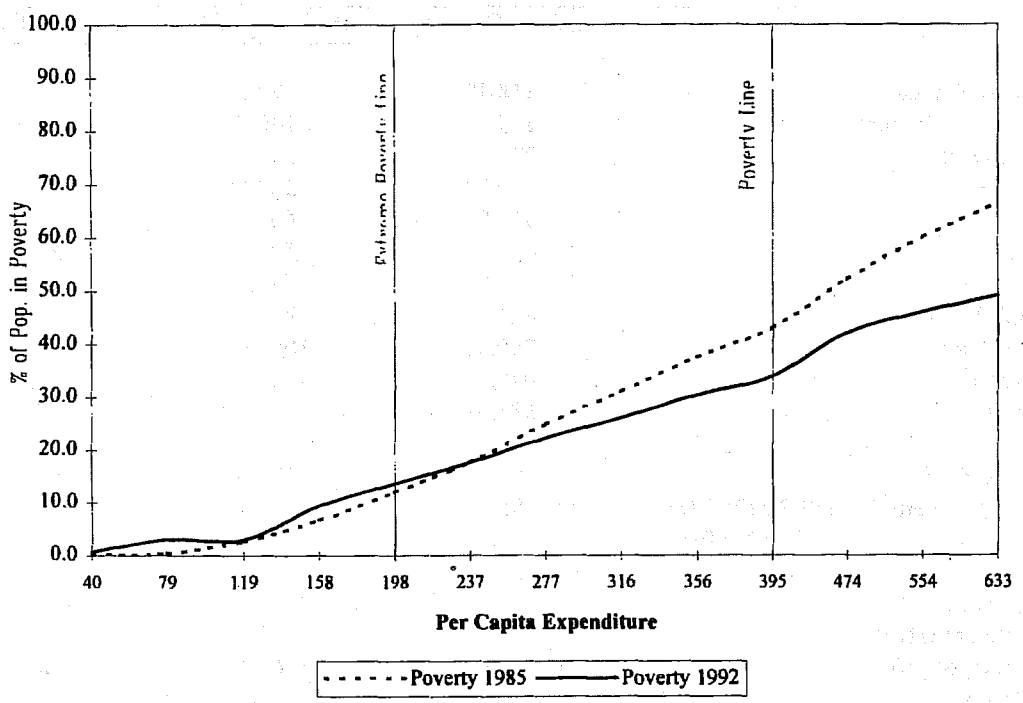
2.11 **Evolution of Incomes and Expenditures Between 1985 and 1992.** On average, MPCHHE rose by 34 percent between 1985 and 1992 but this growth has been uneven across the population. Although in national terms the average income level grew and poverty declined, all the middle income groups have had substantially lower growth in income levels than the national average (see Table 2.1). This resulted in smaller declines in poverty levels for these middle income groups. For the top 10 percent of the population, the increase was higher than the national average -- 48 percent. For the bottom 20 percent (as noted in para. 2.7) there was a decline, and for the lowest 5 percent the decline was especially large. This below average growth in income, together with higher levels of food share for middle income groups in 1992, helps to explain why most

person per day, despite a rise in the relative price of food, but a lesser amount of non-food commodities.

12 Based on the purchasing power parity of the Naira in 1985/86, $365 per capita per annum translated into ₦ 318 at that time.

would, obviously, be higher, if a higher poverty line is chosen. For example, if two-thirds of the 1992 mean per capita household expenditure -- ₦ 528 (in 1985 prices) -- were used as the poverty line, the incidence of poverty (the headcount) would have been 58 percent in 1985 and 48 percent in 1992, instead of the 43 percent and 34 percent used here, but the decline in poverty incidence would be about the same.

Figure 2.1: Headcount Measure of Poverty at Different Levels of Poverty Line Income, 1985 and 1992



Source: NCS Surveys, FOS, 1986 and 1993.

2.9 In this analysis the poverty line is held constant in real terms throughout the period and thus becomes an *absolute* poverty line. Incomes in 1992 and the two poverty lines were adjusted to 1985 prices through the consumer price index between these periods. The value of the poverty line expenditures thus adjusted shows the purchasing power of the poverty line incomes in 1985 and 1992 and the standard of living that each would provide.

2.10 Households with per capita expenditures of less than ₦ 198 (in 1985 prices) in both periods are referred to as the "extreme poor" and households with per capita expenditures of less than ₦ 395 are referred to as the "poor."[11] The poverty line selected

[11] The poverty line expenditure of ₦ 395 per person would provide a basket of commodities in 1985 which allowed households at the poverty line to consume food products containing 2,036 calories per person per day (slightly lower that the FAO consumption standard of 2,100 calories per person per day) and a minimum of non-food commodities as well. In 1992, the basket of commodities that could be purchased with the poverty line expenditures would provide foods with 2,219 calories per

range of additional research methods was used according to the theme under study and local circumstances. These approaches provide direct access to local perceptions and priorities, but in a manner which permits comparison across respondents and groups.

Box 2.1: Themes of the Participatory Poverty Assessment

- Access of the Poor to Basic Social Services (3 States)
- Operational Strategies and Business Linkages in the Informal Sector in Lagos
- The Role of the Poor in Participatory and Informal Structures (3 States)
- Price Changes and Poverty in Oyo State
- Access to Natural Resources (3 States)
- Women and Children in Poor Households (3 States)
- Opinion Leaders and Poverty in Kwara State.

2.5 The PPA studies were conducted in ten States, namely Akwa Ibom, Benue, Cross River, Kaduna, Kwara, Lagos, Ondo, Osun, Oyo and Sokoto. 45 LGAs participated, with a total of 37 urban or peri-urban and 58 rural communities. Fieldwork was conducted between early November 1993 and mid-January 1994.

2.6 The outputs of the PPA provide access to community level data on issues which are difficult or impossible to analyze purely on the basis of macro-level studies including: actual access to and quality of services, facilities and infrastructure; "traditional" service provision; indigenous development initiatives; perceptions of poverty; government initiatives; the structure and functions of "safety nets;" and community priorities for development. These perspectives provide access to the views of the poor themselves.

A. A Poverty Profile for Nigeria, 1985-92

Evolution of Poverty in Nigeria, 1985-92

2.7 The starting point for the analysis of the changes in poverty in Nigeria from 1985 to 1992 is in Figure 2.1, which shows the head count measure of poverty in these two years at different levels of the poverty line. Since there is no "official" poverty line in Nigeria, a poverty line was selected based on two-thirds of the MPCHHE in 1985 -- ₦ 395 per year per person in 1985 prices. A lower poverty line of ₦ 198 is also used, which is one-third of mean per capita household expenditure, and is used to indicate *extreme* poverty. This extreme poverty line (₦ 198) is a little below the level at which the two curves in Figure 2.1 intersect. At a poverty line equal to or less than ₦ 237 per person, the headcount measure of poverty in 1992 is *greater* than that in 1985, but at all higher poverty lines it is smaller. In other words, the bottom 17 percent to 18 percent of the income distribution had a lower standard of living in 1992 compared to 1985 by *any* measure. But all other income groups had a higher standard of living in 1992.

2.8 The choice of a specific expenditure level such as the poverty line is to some extent arbitrary, but as Figure 2.1 shows, the choice of *any* poverty line above the level of ₦ 237 per person (in constant 1985 prices), would lead to the same conclusion: there was a decline in poverty between 1985 and 1992, although the number classified as poor

out over a one-year period beginning in April of the first year and ending in March the following year.[7] Additional macro-economic data and social indicator surveys were also used (including the Demographic Household Survey (1992) and General Household Survey (1990)). Mean per capita household expenditure (MPCHHE) in 1985 and in 1992 is the basis for the poverty analysis in this report. Household expenditures were adjusted for regional price differences between the two periods using an alternative Consumer Price Index (CPI), *weighted by the expenditure proportions of the bottom quintile*, with regional and monthly disaggregation.[8] The Foster-Greer-Thorbeck (FGT) measures of poverty are used for the two periods to compare relative changes in poverty. These indices are disaggregated by regional, sectoral, state, and socio-economic groups.[9] The pattern of expenditure distribution, changes over time, and the implications of this for reducing poverty in Nigeria are also analyzed. Changes in the composition of expenditures by various disaggregations are also discussed.

2.4 The Nigeria PPA consists of a set of 14 related studies conducted using qualitative and participatory methods. It was fully financed by the Overseas Development Administration of the United Kingdom, including workshops with the research teams to develop a common approach before undertaking field research and to share and evaluate the findings.[10] The studies investigated seven broad themes (Box 2.1) examining poverty as a community-level phenomenon. Within this perspective, the PPA sought to determine whether any categories of individuals or households are regarded as particularly vulnerable to poverty. Within communities, the main research methods used by all study teams were individual in-depth interviews and focus group discussions. A

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of barter or non-formal economic activities and own consumption are likely to be under-represented at the expense of the modern economy. These, among many other things, have an influence on poverty conclusions. However, they do provide a detailed picture of household expenditures for two time periods in a comparable form, which is not available from any other sources.

7 There are differences in coverage and reliability between the two NCS household surveys, which make inter-temporal poverty analysis cumbersome and sensitive to error. Substantial effort was required to make the data from the surveys usable for poverty analysis.

8 In line with convention, the expenditure pattern of the bottom quintile of 1985 was used to develop a "poverty re-weighted" CPI which is used to deflate the 1992 expenditures.

9 The Surveys were conducted in the 19 States which existed in 1985. Subsequently, the 1992 survey data (which covered the reconfigured 22 States) was mapped into the original 19 States -- specifically Katsina was mapped into Kano, and Akwa Ibom into Cross River. As the Federal Capital Territory was carved from three states, it was treated as a separate entity in 1992, but does not exist in 1985.

10 The PPA is an approach which is still under development, and has contributed to a number of country Poverty Assessment Studies conducted by the World Bank and other donors. These include studies in Zambia, Kenya and Ghana as well as in Nigeria. The PPAs utilize a variety of qualitative and participatory methods to incorporate community inputs into national level planning. The intention is that such inputs should be carried forward into policy and program formulation and implementation, as well as into monitoring the impact of Government and donor initiatives. Details of the Nigeria PPA--research teams, methology and data--are provided in a Background Paper, *Nigeria: Participatory Poverty Assessment*, David Todd, ETC Foundation, for the Overseas Development Administration, September 1995.

2. A PROFILE OF THE POOR IN NIGERIA

Mean per capita household expenditure grew by 34 percent and the incidence of poverty declined from 43 percent to 34 percent between 1985 and 1992. However, this decline was not evenly spread throughout the country, nor among different socio-economic groups. Most of the poor are in rural areas and are uneducated. The proportion of the poor in the northern agroclimatic zone is higher than in the southern or middle regions.

The consequences of poverty are most serious where entire communities are affected. The findings of a Participatory Poverty Assessment show that such communities are characteristically cut off from the benefits of development by the absence of access roads, either seasonally, or in the worst cases, altogether. Roads and water supply emerge as top priority needs cited by the poor. In order to alleviate their poverty, communities engage in substantial self-help activities, often through locally organized groups while households and individuals adopt a variety of coping mechanisms.

Sustained growth that utilized domestic resources and provided broad based employment was fundamental to the poverty reduction that took place between 1985 and 1992. The analysis of poverty during this period also highlights the fact that, because of the regional, sectoral and location specific dimensions of poverty, targeted interventions and policies oriented toward equity are critical for reaching specific groups of the poor.

2.1 This chapter presents a Poverty Profile for Nigeria for the years 1985 and 1992 and analyzes the *evolution* of poverty between these two years. It shows the *nature* of poverty in both 1985 and 1992 for different deciles of the population, urban and rural areas, levels of education, age of household heads, and different parts of the country. A poverty line is selected, which is two-thirds of mean per capita household expenditure in 1985. The sensitivity of the analysis to other poverty lines is also analyzed. Attention is given to changes in income distribution and the relative impact of growth and redistribution on poverty reduction, and to the regional and community characteristics of poverty.

2.2 It then considers the perspectives of the poor themselves and their priorities for development as shown by an extensive Participatory Poverty Assessment (PPA) conducted in late 1993 and early 1994. A full description of, and findings from, the PPA are presented in Section B of this chapter (p. 48).

2.3 **Data Sources and Methodology.**[5] The most complete data on which to base a detailed poverty profile of Nigeria are the National Consumer Surveys (NCS) conducted by the Federal Office of Statistics (FOS) in 1985 and 1992.[6] These surveys were carried

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5 The details of the data and methodology are given in a Background Paper, *Evolution of Poverty and Welfare in Nigeria*, 1985-92, April 1996.

6 Given the limitations of these surveys, analysis based on them should be taken with some caution. For instance there is very little information for gender analysis; no data on remittances; and coverage

a decline in economic performance, a rise in poverty, and a sharp deterioration in living standards.

1.47 The above analysis suggests that the major economic reforms of the 1980s, particularly the liberalization of foreign exchange and export crop markets, led to increases not only in overall incomes but benefited both the urban and rural poor. For example, liberalization of the foreign exchange market and depreciation of the real exchange rate tended to benefit poor households since the resulting shift in relative prices led to increases in demand for rural and urban labor. For producers of a number of tradable crops, such as cocoa, rubber and cotton, the liberalization of export crop marketing combined with the exchange rate reforms resulted in even larger gains in real incomes.

1.48 But there have been losers from Nigeria's reform policies as well. The bottom 20 percent of households became worse off during the period of growth, as they were ill-equipped to participate in the new opportunities. Recipients of the rents that result from import licensing and the rationing of foreign exchange experienced substantial losses of incomes with liberalized exchange rate and trade regimes (but households among this group are generally not amongst the poor). It is also evident that the inflation consequent to the failure to maintain fiscal discipline has hurt the recipients of wage income (in both the public and private sectors), causing a significant erosion in their purchasing power. In addition, public sector employees, whose real wages were declining sharply and who lost their jobs as government spending was cut, also suffered from policy reforms, particularly if they were unable to find new jobs quickly.

1.49 Nigeria now faces three inter-related development challenges that are key to both welfare improvement for the general population and to poverty reduction in particular. *First*, it has to establish a viable and stable macroeconomic framework and to streamline the incentive regime. *Second*, it needs to downsize the public sector, and establish an enabling environment with accountability and transparency. *Third*, it needs to adopt sectoral policies and re-arrange priorities in public expenditures to promote efficient economic growth, increase productivity and target the poor. These challenges point to the need for Nigeria to make a fundamental shift away from policies and institutional arrangements that promote rent-seeking toward policies, programs and institutions that promote efficient, sustainable, and broadbased growth and job creation.

D. Community Perceptions of Social Services

3.15 Feedback from rural and urban Nigerian communities was the basis for the PPA, which attempts to understand qualitatively how the poor perceive the suitability of social services. Dissatisfaction with government schools and health facilities was a recurring theme, and closely related to a perceived deterioration in the quality of people's lives. There was a broad based agreement across rural and urban communities that government has not assisted in the development process. Community members link this with political turmoil, corruption, politicization of infrastructure and service delivery, and a lack of consultation and participation of communities in planning and implementation. The result is a lack of trust in all levels of government. The decline in quality of public services has also meant that access to formal schooling and effective health services has fallen, and has heightened exclusive reliance on the Koranic school system in the north, and on traditional and informal private health providers throughout the country. More specific findings from the PPA on education and health services are discussed below.

3.16 **Community Perceptions of Public Education Services.** While education is highly valued, many parents say that its quality is now so poor that they see no impact on their children. Some argue that the standard has fallen so low that the sacrifice necessary to keep children attending is not worth the trouble. In some areas classes are held outdoors where the climate is not always favorable. Classrooms are often old and dilapidated, and regularly maintained only if there is an active parent-teacher association. In many primary schools, especially in urban areas, lack of classrooms has forced the merging of classes, where only half of the children have furniture. Nor is there much with which to read or write. In many rural areas, the situation is particularly bad (Box 3.2). Residents perceive that irregular salary payments, rising transport costs for the mostly non-resident teachers, inadequate staffing, poor buildings, limited equipment, facilities and materials, and the low standard of teachers' housing, have promoted a high rate of absenteeism among teachers. Teachers confirm that they now engage in farming and part-time business activities to support themselves, and their interest in teaching has declined.

Box 3.2: Some School-Age Children in Sokoto

The PPA study of the children proved interesting but difficult; most of them wanted to be included. We looked at four children, two boys and two girls, who attend a mix of formal schools and Koranic school.

Of the girls, we first considered *Rabi* in Kwanawa; although about 10 years she looks smaller than her age. She goes to school (very irregularly) and also attends Koranic school (every day). She says she thinks she is in class 5 of the government school, but actually she does not know. On assessment we found she hardly knows how to read or write the alphabets though she can do some simple mental addition and subtraction. Her day starts early in the morning. If she has *talla* (hawking) to do, she may take her mothers' wares (kuka salt, maggi cubes) for sale round the village, come back and go to school by eight, although this time is hardly ever kept. After school, at 11.30 to 12, she may eat her lunch and go back again to hawk. By 4pm she goes to Koranic school. Later, she assists in fetching water or firewood and helps round the house with chores and looking after the baby.

Gado is a 9 year old, who attends only the Koranic school (*Makaranta allo*). She wanted to go to school but she was asked to step aside for her "son" (nephew). She spends most of the morning hours hawking *kulikuli* (groundnut cakes) for her mother, She is already betrothed but she does not know exactly who the suitor is. She helps at home with drawing water from the well.

Adamu is a boy of about 12 years. He told us he has finished primary six and lives in Gumburawa. We gave him a simple assessment but he has no reading skills at all either in Hausa or English. He could do simple arithmetic - additions - but could not distinguish between + and x. Meanwhile he has progressed in his Koranic education and was already at stage 9 in his Koranic reading. He farms, weaves straw panels (kara) and wishes to join a singing group.

Sani is an 11 year old boy. He seems somewhat stunted but has bright eyes. He does not attend the primary school but goes to *makaranta allo* when he has time. He has a full time responsibility of fetching *harawa* (grass) for the *hakimi's* (village head) horse, as well as *kara* (cereal stalks) from the farm after harvest, which is then woven into panels for sale.

Source: *PPA Studies, Study 1C*: Access of the Poor to Basic Social Services in Sokoto State.

3.17 These factors have discouraged school attendance. In villages studied in Sokoto, only 20 percent of those on the official role attend school at any one time. Some have not attended for an entire year. The low level of attendance is partly due to the cost of sending children to school. Even such basics as pencils, pens and exercise books are too expensive for many parents. At the same time children have to contribute to the household economy, and are responsible for many chores (Box 3.3). The need to work, inadequate nutrition, poor sleeping facilities in overcrowded dwellings, poor medical care and unsatisfactory schools combine to give little hope of educational achievement among the poor. Distance is also a constraining factor, especially for girls. Poor children often walk long distances to school because they cannot afford transport. Most parents are willing to let boys travel long distances to secondary schools, but not girls. Diminishing employment opportunities accompanying the economic decline of the 1980s also affected attendance. Secondary school graduates have often not been able to find employment and have returned to their villages. Parents, seeing that education does not lead to a job, prefer to have children learn farming or a trade.

Box 3.3: Barriers to Poor Children's Access to Education

Children from poor families have a set of basic tasks to do in the household. In Osun State, for example, boys clear bushes from around the house and engage in farming, while girls fetch water, wash up, sweep and cook. Parents believe that children should do both paid and unpaid labor. In rural areas, girls may start hawking as young as 3 years old, in the company of their elder siblings. Elder children may go hawking before school and work on the farm after it. In urban areas, hawking begins at about 6 years old and punctuality at school is not important to pupils, because they must first earn the income to buy their snacks during the day.

Children from many poor households in Iseyin town (Oyo State) go to school irregularly or not at all. They say that they need to help their parents make a living and that uniforms and textbooks are too expensive. They can only stay in school by earning some income to support themselves. Some children fall asleep in class because they did not eat breakfast, while others vomit because they ate stale leftovers. Some have come to school in rags and the other children laugh at them, so that they drop out permanently.

In Sokoto, irregular attendance was explained partly by the fact that children are otherwise occupied in the mornings selling or farming, and partly by poor facilities at schools and absence of teachers.

In many states, children are frequently withdrawn from school to conduct farm work, particularly if a parent is sick. Withdrawing children is seen as one mechanism to counter the effects of poverty. The income earned by those withdrawn may be used to support others who continue. In urban and semi-urban areas, children may leave school early to become apprentices to a trade. In all types of community, adolescents may prefer to begin working and girls may marry early and leave school.

Source: *PPA Studies 6B*: Women and Children in Poor Households in Osun State; 4, Price Changes and Poverty in Oyo State; and 1C, Access of the Poor to Basic Social Services in Sokoto State.

3.18 **Community Perceptions of Public Health Services.** In the communities participating in the PPA, a commonly reported concern was the declining health of their children, largely attributed to poor diet and water supply, and inadequate government services. In Benue State, for example, the poor in rural and peri-urban communities complained of lack of staff, drugs and equipment, and a limited range and availability of services. In Ondo, many poor people indicated that the high cost of health services in government facilities, coupled with the poor availability of drugs, long waiting times and irregularity of opening hours were major disincentives. The unpleasant behavior of health staff towards the poor is an additional negative factor. Many people therefore prefer to patronize traditional healers and birth attendants, who are members of the local communities and subject to social control. In general, the findings from the PPA show that government health services are often time consuming to reach and attend, have limited opening hours, and are likely to prescribe expensive drugs which they are unable to supply. In remote communities, public services are usually not available.

3.19 Government programs are not seen as meeting the perceived needs of the poor. They focus particularly on immunization, growth monitoring and control of diarrheal diseases. Poor communities consider immunization important, but not their first priority, and they regard growth monitoring as irrelevant when food is not available. Mothers give first priority to treatment for sick children, which is unavailable in many communities even where facilities exist. Studies in the PPA indicate that boys are more likely to receive medical attention than girls. In Ondo, rural and urban residents give priority to

care for women during pregnancy and delivery, and express the need for trained nurses and midwives to handle delivery complications.

E. Who Provides Social Services for the Poor?

3.20 **Where do the Poor Receive Education?** The failure of public schools has made alternatives more attractive. Throughout the country, there has been an increase in private schools, many of which are reported to be of good quality and profitable. However, these are mostly far beyond what the poor can afford. In the north, the only education poor children generally receive is through the Koranic schools, which is widely available in most villages. Parents pay fees usually less than ₦ 10 per month (1993 data). In many communities children attend Koranic schools more regularly than public primary schools. Children compare Koranic teachers favorably with those in the public system, because they run classes regularly and are perceived to be more reliable and conscientious. The timing of classes in the late afternoon also gives pupils time to finish other tasks (Box 3.4).

Box 3.4: Koranic and Government Schools in Sokoto and Kaduna

In ***government primary schools*** visited in each of six communities in Sokoto, at least one block of classrooms is available, but they are in varying states of repair. In five of them, blocks were found with no roofs or windows. In some cases renovation has been undertaken, but in others blocks have been abandoned and new ones built. The general practice is to teach children of all levels in one room. Desks are in very short supply and must be shared, or children sit on the floor to work. In Dankala and Kwanawa villages, there are no usable rooms and children sit under trees in dry season and in the sitting room of the village head during the rains. In all observed cases, schools lack toilets and water, as well as furniture and basic teaching materials. Teachers have no office accommodation or table to use in the classroom. Because of lack of accommodation and facilities, teachers tend to live away from their school village and fail to attend classes regularly. When they do attend, it appears that their teaching is ineffective, since children tested by the study team had very low level reading and writing skills.

In the ***Koranic schools*** in Kaduna, teachers offer daily classes, during which children sit on mats in front of the mallam's house. Learning is by rote, as well as through writing of Arabic alphabets using slates and pens made from cereal stems. All children participate, with classes held between 3 and 5 p.m. At weekends there are often two classes per day. In each community there are two or three mallams, each with between 20 and 30 pupils. Payment is usually between ₦5 and ₦8 per month as agreed between parent and mallam. After reaching the end of the Koran, a child may move onto upper Koranic school, where Islamic jurisprudence, ethics and other texts are taught. Classes consist of three or four pupils, meeting at a time convenient to them and the mallam. The system receives no government support. In two communities, there are also Government-assisted Islamiya schools for adult men and women.

In all communities visited in Kaduna both parents and children complained about poor facilities in the ***government schools*** and poverty of teachers which affected commitment to their work. In Wuciciri teachers were posted from Zaria and they never attended schools regularly. In Gedege, during the farming season teachers hardly attend the afternoon sessions as they quickly go to work on their farms.

In the Muslim communities in Kaduna, parents ensured that the children attended the ***Koranic lessons*** organized informally in a mallam's compound or formally in the Islamic schools. By contrast, only a minority of children are sent to the primary schools. In Wuciciri, for example, only six students were reported to attend primary school, in contrast to 150 children who attend the Muslim school. The community was convinced about the desirability of Koranic education towards imparting moral discipline and religious knowledge.

Source: *PPA Studies 1C*: Access of the Poor to Basic Social Services in Sokoto State; and 6A, Women and Children in Poor Households in Kaduna and Akwa Ibom.

3.21 **Where Do The Poor Receive Health Care?** There are many sources of health care for Nigerians. The private sector, particularly when church-based facilities and traditional healers are included, provides the majority of health services in the country as a whole, and to Nigeria's poor. One study estimated that 60 percent of health expenditures in Nigeria come from private sources.[25] There is a wide variety of public and private facilities that provide modern treatment. According to a 1992 census of health facilities conducted by the Johns Hopkins University in collaboration with the Department of Population Activities, nearly 37,000 fixed health facilities exist in the country. Over 60 percent of these facilities (22,640) are patent medicine vendors, with another 5 percent (1,821) being registered pharmacies. Primary level clinics and maternities comprise another 27 percent of health facilities, and hospitals approximately 7 percent. Besides health workers operating from fixed health facilities, there are also a large number of itinerant medicine vendors, traditional birth attendants and traditional healers, and in the public sector, village health workers and community health extension workers. These providers are particularly important in rural areas and for the poor, where access to other sources are limited. Although the private sector is the major provider of health services, there are no mechanisms to protect the poor from high prices or questionable effectiveness of services.

3.22 NGOs are highly active in the health sector. There are many networks providing linkages between NGO service providers and by far the largest of these is the Christian Health Association of Nigeria (CHAN). This is the coordinating body for all church-sponsored health care in the country and was founded by the Catholic Secretariat of Nigeria and the Northern Christian Medical Advisory Council, in consultation with the Federal Ministry of Health (FMOH). It is recognized by and cooperates with FMOH and UNICEF and works with the Ministry and UNICEF in such efforts as mass immunization programs.

3.23 The distribution of health care facilities within the CHAN network (Table 3.4) derives from the efforts of individual churches which develop a proposal for a facility and then present this to CHAN for assistance. As a result of this process, CHAN-affiliated facilities show a marked concentration in urban slum areas and poor rural locations. This enables members of CHAN to provide a high proportion of health care actually delivered to the poor in Nigeria. In addition to supporting individual facilities, CHAN operates two projects which service affiliated institutions: the Central Pharmacy Supply Project and the Primary Health Care Project.

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[25] *Better Health in Africa: Experience and Lessons Learned*, World Bank, 1994.

Table 3.4: Distribution of Health Facilities Affiliated to CHAN

Type of facility	Zone A	Zone B	Zone C	Zone D	TOTAL
Hospital	9	18	42	25	94
Maternity	347	31	37	31	446
Hosp/Maternity	7	9	33	22	71
PHC Center	79	37	11	37	164
Comp Health Center	4	9	0	2	15
Health Clinic	383	419	0	18	820
Maternity and Clinic	7	2	2	0	11
Clinic	38	127	7	8	180
Dispensary	158	181	4	0	343
Health Post	497	48	9	0	554
Mobile Clinic	265	565	294	15	1,139
Leprosarium	2	6	2	0	10
Others	0	2	0	2	4
TOTAL	1,796	**1,454**	441	160	3,851

Zone A: Adamawa, Bauchi, Benue, Borno, Taraba, Yobe and part of Kogi.
Zone B: Abuja, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kwara, Niger, Plateau, Sokoto, and part of Kogi.
Zone C: Abia, Akwa Ibom, Anambra, Cross River, Enugu, Imo and Rivers.
Zone D: Delta, Edo, Lagos, Ogun, Ondo, Osun and Oyo.

Source: Christian Health Association of Nigeria (CHAN) records.

3.24 Because of the wide availability, the patent medical vendors are the major source of modern care to the Nigerian population, particularly for the poor. These providers are licensed by a State Ministry of Health to sell non-prescription and prescription drugs. They play a major role in determining what medicine a patient will receive. The information available on the quality of services provided by patent medicine vendors and chemists is quite scarce. Enforcement of regulations on their practice is nearly nonexistent. Prices and quantities of medicines are usually negotiated independently from the choice of drugs or the prescription, if used, and are determined by the customer's ability to pay. This type of medical care is often less effective, if not more dangerous, than other health care. A PPA Study in Benue state found that chemists' shops commonly sold expired or fake drugs, sold drugs beyond their license restrictions, administered injections and sold self-prescribed "combinations" of drugs believed to cure common ailments. In one of the few studies that look at the quality of care by patent medical vendors, Oshiname and Brieger (1992)[26] found serious deficiencies in the diagnosis and treatment by these providers. In addition, there were major problems in the health advice they gave, and in their lack of referral to more appropriate medical care.

3.25 There is also some information to show what factors affect people's choice of services, which has implications for the poor as well as for public investment in social services. For example, in studies in Lagos, Sokoto, Cross River, Benue, and Ogun states

[26] Oshiname, Frederick O. and William R. Brieger, *Primary Care Training for Patent Medecine Vendors*, Social Science and Medicine, 35 (12), 1992.

(Mbanefo et al. 1994)[27], physical proximity to a facility and perceived quality of care were identified as the most important reasons for the type of health provider selected. In rural areas, the appropriateness of the service to the type of illness was also important. Health providers are selected according to beliefs about the origins of illness. Since poor communities have the least access and ability to pay for higher quality of services, they are the most negatively affected by the lack of access to services, the factor which matters most to people in the provision of health services. Furthermore, since they have the least access to media and to transport, they are least likely to hear health education messages to change health behavior and to demand better services.

3.26 In a study conducted in three urban areas of the southwest in 1994 by John Snow Inc., prospective clients were asked to indicate factors that affect their decisions to use different types of health services. The responses indicated that the advantages of public hospitals were that the fees were highly subsidized, there were many specialized doctors, and they did well in child monitoring. However, they were prone to overlook "spiritual" aspects -- providers were unfriendly, working hours were limited, and patients had to purchase drugs separately. Private hospitals had better hours, more friendly staff, and more drugs available, but tended to charge more money, and also overlooked the spiritual aspect of illness. Private pharmacists and chemists were seen as good alternatives because they were available, but the risks of inappropriate use of drugs were recognized. Similarly, private nurses and midwives had affordable fees, and could counsel families, but often ran poor facilities. Traditional birth attendants were seen as readily available, but not very proficient in serious cases, and had limited drugs to offer. The poor are presumed to be reliant on the more inexpensive providers of care, who may not provide the best care.

3.27 Although the poor are known to patronize all types of health providers, there is limited data to demonstrate that they prefer to use certain types of providers than other Nigerians. Clearly, when access to modern services is limited, as is the case where the poor live, they have fewer choices. For childbirth, many women rely on traditional birth attendants because there are no other facilities, or none of acceptable quality. When public and traditional services are available, people often prefer traditional healers and methods. Market women in Oyo and Osun states reported tendencies for people to return to traditional methods of medicine because of deterioration in government services. The flexibility of traditional healers concerning payment in installments or in kind also makes their treatment more acceptable to the poor than that offered by "modern" facilities. In northern regions and many rural areas, traditional medicines are the preferred source of care (Box 3.5).

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[27] For historical analysis of Nigeria's fiscal system, see Gini Mbanefoh, *Fiscal Functions: A Review of Tax and Expenditure Responsibilities in Nigeria's Fiscal System*, Background Paper, March 1994.

Box 3.5: Traditional Healers in Sokoto State

In the six areas studied in Sokoto, traditional systems of health care are the dominant systems while the modern systems are peripheral in terms of accessibility and utilization.

There is a comprehensive range of local medical specialists, including healers, surgeons and midwives. Residents rely on them because they are always available and have no shortages of the pharmacopoeia they utilize. Bone setters are also well patronized to deal with injuries arising from accidents. All these healers may combine their skills with recitation of Koranic verses and prayers and dissolution of written prayers in water for drinking.

Traditional healers combine this work with other activities such as farming or trading, since they do not derive a living income from their health work. They operate from their own homes which are easily accessible to patients. Each healer may treat five or six cases per day. Charges relate to the costs of locating and preparing the medication.

In community discussions, residents emphasized the need to bring traditional medicine under the government umbrella introducing licensing and training. There is already a training scheme under which the traditional birth attendants (TBAs) receive training in basic modern midwifery. Community members expressed the hope that the approach with TBAs can be extended to upgrade other local health practitioners.

Source: *PPA Study 1C*: Access of the Poor to Basic Social Services in Sokoto State.

F. Household Per Capita Expenditures on Health and Education

3.28 Data from the NCS indicates that in 1992/93 medical expenses of the non-poor in absolute terms were about 16 times those of the extreme poor and educational expenses about 21 times (Table 3.5). In relative terms the non-poor spent a higher proportion of their non-food expenditures on medical and education expenditures (5.2 percent) than the extreme poor (2.3 percent)[28].

Table 3.5: Annual Per Capita Expenditures on Health and Education by Income Level, 1992/93

	Extreme Poor	Poor	Non Poor	National
Categories of Expenditure	1992/93	1992/93	1992/93	1992/93
In 1992 naira				
Medical expenses	5.12	12.05	80.20	61.21
Educational expenses	0.99	3.09	20.65	14.39
Total Med./Educ Exp.	9.55	15.14	100.85	75.60
As % of non-food p.c. exp.				
Medical expenses	1.90	2.75	4.07	3.61
Educational expenses	0.39	0.72	1.09	0.93
Total Med/Educ Exp.	2.29	3.47	5.16	4.54

Source: *NCS*, FOS, 1992/93.

3.29 The NCS data also shows that per capita medical and educational expenditures were much higher in the south and middle belts than in the northern parts of the country

[28] The disaggregation of non-food expenditures on health and education were not strictly comparable between 1985/86 and 1992/93 due to classification differences.

(Table 3.6). Medical expenditures in the south and middle belts were four times as much as in the north in 1992/93, while educational expenditures were nine times more.

Table 3.6: Annual Per Capita Expenditures on Health and Education, 1992

Categories of Expenditure	North	Middle	South	National
In 1992 naira				
Medical expenses	34.01	52.01	75.05	61.21
Educational expenses	3.92	13.32	23.08	14.39
Total Med/Educ Exp.	37.93	65.33	98.13	75.60
As % of non-food p.c. exp.				
Medical expenses	2.22	3.40	4.65	3.61
Educational expenses	0.25	0.85	1.50	0.93
Total Med/Educ Exp.	2.47	4.25	6.15	4.54

Source: *NCS*, FOS, 1992/93.

3.30 Households in Nigeria pay almost half of total health expenditures (45 percent), while the share of government expenditures is 55 percent (Table 3.7). By comparison, the share of household expenditures in total health expenditures in Ghana was 49 percent in 1992. In education, households only pay 8 percent of total expenditures (compared to 24 percent in Ghana), while government is responsible for the bulk of expenditures.[29] Public resources, however, have not been used efficiently or effectively, as discussed below.

Table 3.7: Household and Government Spending on Health and Education in Nigeria and Ghana (per capita), 1992

	HEALTH EXPENDITURES			EDUCATION EXPENDITURES		
Quintile	Household	Government	Share of Total by Household (%)	Households	Government	Share of Total by Household (%)
NIGERIA						
1	7.94			1.89		
2	16.13			4.09		
3	37.59			12.50		
4	83.86			18.70		
5	160.73			34.77		
Total	61.21	75.25	44.8	14.38	171.65	7.7
GHANA						
1	1998	2296	47	1761	8731	17
2	2548	3065	45	2709	11021	20
3	3026	3692	45	3385	11196	23
4	4430	4228	51	4231	11207	27
5	7099	6515	52	5072	11067	31
Total	3820	3959	49	3432	10644	24

Sources: Nigeria data for household expenditures from NCS 1992; Nigeria government expenditure for health and education is for the year 1990 from *Social Sector Strategy Review*, World Bank, 1994 converted to 1992 Naira; Ghana data from *Ghana: Poverty Past, Present and Future*, World Bank, 1995.

[29] Strict comparisons between Nigeria and Ghana may be misleading given the different measures used, collection methodology etc.

G. GOVERNMENT EXPENDITURES ON HEALTH AND EDUCATION

3.31 Available data indicates that relatively limited public resources are devoted to directly providing social services to the poor. In 1990 estimated public expenditures on education and health services by all levels of government were about ₦13 billion, nearly 15 percent of total government expenditures and 4.5 percent of the GDP. These levels are lower than many countries in Sub-Saharan Africa, but comparable to other large countries in Asia and Latin America (Table 3.8). However, the problem is not so much the total amount of resources available for social services, but how these resources are allocated and managed. Government funds have been erratic in the past two decades, fluctuating largely with oil revenues, and they declined sharply in the early 1980s. Moreover, the available resources have not been used efficiently, resulting in serious deterioration in the quantity and quality of services. A concentration of public personnel and facilities in the southern zone and in urban areas almost certainly means that poorer parts of the country benefit less from public resources.

Table 3.8: Public Expenditures in Education and Health in Selected Countries, 1990

Country	Public Education Expenditure as % of GDP	Public Health Expenditure as % of GDP	Total Education and Health Expenditures as % of GDP
Nigeria	2.9	1.2	4.1
Ghana	3.3	1.7	5.0
Kenya	6.8	2.7	9.5
Tanzania	5.8	3.2	9.0
South Africa	5.5	3.2	8.7
Zimbabwe	11.4	3.2	14.6
India	3.0	1.3	4.3
Indonesia	1.9	0.7	2.5
Philippines	3.0	1.0	4.0
Thailand	3.2	1.1	4.3
Mexico	2.5	1.6	4.1

Sources: Data on Nigeria from *Nigeria: Social Sectors Strategy Review*, Report No. 11781-UNI, Nov. 1994; data on education expenditures from *A Statistical Profile of Education in Sub-Saharan Africa in the 1980s* and *World Development Indicators, 1994*, Table 11; data on health expenditures from *World Development Report*, 1993, Table A.9.

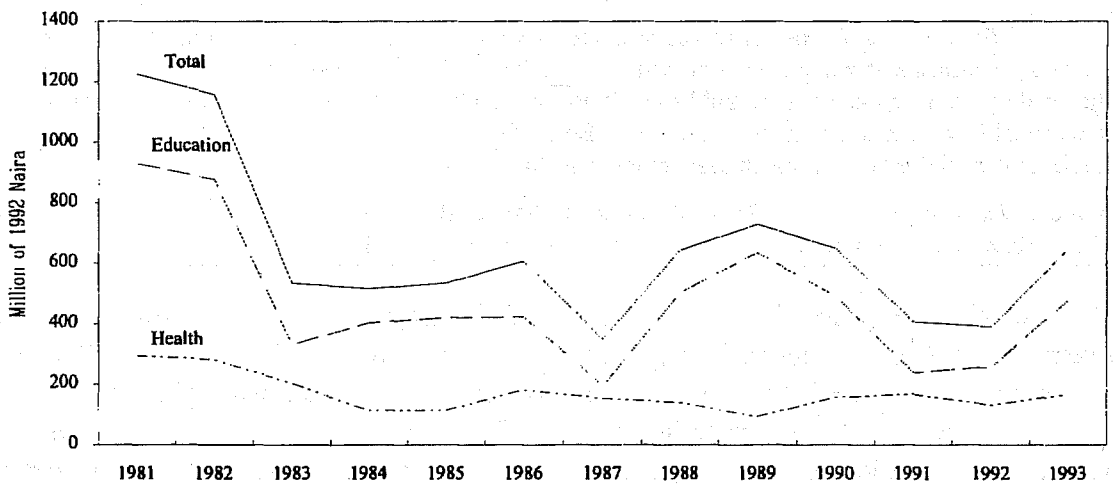
3.32 The federal government is mainly responsible for tertiary institutions, state governments for secondary and local governments for primary, but there is considerable overlap. All three levels of government contribute to the financing of health and education services. In 1990, total expenditures on health were shared as follows: 19 percent federal, 63 percent state, and 18 percent local government. In education, the shares were 33 percent federal, 44 percent state, and 23 percent local government. Federal expenditures on education between 1981-93 show a sharp decline in the early 1980s, with sizable fluctuations in the past eight years (Figure 3.2). In real terms, federal expenditures in 1992 for health services were only half the level in 1981, and for education services, only a quarter. Data for a sample of states indicates that on average

states spend about 12 percent of their recurrent budget on health and 25 percent on education, but with wide variations by state and year. Lack of data on local governments makes it difficult to analyze actual expenditures on basic services, especially by type of programs.

3.33 Tertiary services, from which the poor benefit very little, absorb a disproportionately large share of government financing in both the recurrent and capital budgets for health and education. A very high percentage of recurrent public expenditures is absorbed by personnel costs, leaving little for essential inputs such as drugs and textbooks or for maintenance of existing facilities and equipment. This correlates with the perception of the poor regarding the quality of health and education services in earlier sections of this report.

3.34 The budget for 1996 gives little indication of a poverty-focused strategy by government, beyond reference to the importance of job creation. It largely neglects human resource development, particularly basic education and health. The education budget increases by a modest 7 percent whereas that for health is reduced by 6 percent. However, it is expected that the Petroleum Special Trust Fund will be a resource for further investment in health and education. Of critical importance will be the type of investment -- in basic services rather than in civil works and physical rehabilitation of tertiary institutions.

Figure 3.2: Federal Expenditures on Health and Education in Nigeria 1981-93



Sources: Central Bank of Nigeria; Federal Ministry of Health and Social Services; Bank staff estimates.

H. What are the Constraints that Prevent the Poor from Benefiting from Social Services

3.35 Clearly the government has largely failed to respond to the education or health needs of the poor. The poor have limited access and the quality of what is provided is so inadequate that the poor often prefer or are forced to rely on alternative sources. Why has

the public sector been unable to respond to the needs of the poor? A study on the performance of several State Ministries of Health (Box 3.7), commissioned by the European Union, indicates some common problems which affect the performance of state governments. Similar problems confront the federal and local governments. Among the constraints to the public provision of services for the poor, factors which affect the allocation and use of resources are most critical. There are many powerful groups in Nigeria who may oppose reallocation of resources to help the poor. For example, urbanites may not want to see resources going to rural parts of the country, professional groups may prefer to operate in areas where they can obtain a higher income, and civil servants may resist placement in poorer areas. These factors may limit the commitment of government to allocate more resources to the poor. There are also major impediments to specific allocation of resources to the poor: one reason is inefficiencies in Nigeria's fiscal structure and management of social services, another is the lack of clarification of responsibilities at different levels of government.

Box 3.6: Problems and Performances of State Ministries of Health

A study of health sector performance in 3 States (Borno, Kogi and Oyo) found common problems as well as one area in which performance differed. The three shared problems are:

- political instability, leading to high turnover of key officers and related low motivation;
- economic constraints leading to limited budgets and demotivated staff because of poor salaries and working conditions;
- primary health facilities not functioning, resulting in poor quality service and diversion of time of staff at secondary level facilities to tasks which should be performed at primary level.

With regard to the use of scarce resources performance varied. Borno State, on of the poorest in Nigeria performed better in this respect than did Oyo State. "The public sector performs reasonably well at the level of secondary health care and key staff are still motivated. For example, limited budgets for drugs and capital investments are much better used in Borno State as compared to Oyo State. Current capacity to implement capital projects is much more evident in Borno State".

Source: *Health Sector Review,* Selected States of Nigeria, Borno, Kogi and Oyo States (Draft Report). Health Research for Action, December 1994, for European Union DG VIII.

3.36 **Inefficiencies in Fiscal Structure and Management.**[30] All three levels of government in Nigeria depend largely on the Federation Account for revenues. State and local governments have few independent sources of revenue, averaging only about 7 percent of recurrent state revenues during 1970-91. Local governments have little flexibility or taxation power to generate revenue, and rely increasingly on federal transfers. Prior to 1991, local governments were entitled to 10 percent of the state internally generated revenues, but these are no longer forthcoming as states became strapped for resources. Almost 90 percent of the Federation Account consists of royalties

[30] A full discussion of Nigeria's fiscal structure in comparison with other federal system can be found in the background paper prepared by Rene Bernier, *Issues in the Financing and Delivery of Social Services in Nigeria: Lessons from Other Federal Systems,* 1994. For a historical analysis of Nigeria's fiscal system, see Gini Mbanefoh, *Fiscal Functions: A Review of Tax and Expenditure Responsibilities in Nigeria's Fiscal System*, Background Paper, March 1994.

and taxes on oil exports, which are volatile, and thus the amount available for each level of government is difficult to predict. Moreover, transfers from the Federation Account are often delayed. Against competing demands for limited resources, social services, where the effects of under-financing are only felt over the longer term, are usually given inadequate consideration in budgetary allocations.

3.37 In recent years the allocation formula of the Federation Account has changed twice, reducing the federal government's share from 55 percent to 50 percent and the state governments' share from 35 percent to 24 percent, while increasing the local governments' share from 10 percent to 20 percent. Actual distribution varied from statutory shares, but in any case, the amount distributed to LGAs in 1992 was in real terms more than double the LGA's shares of the Federation Account in 1988 and 1989 (Table 3.9). In principle increasing resources allocated to local governments should lead to additional funds for primary services. In practice there is no control over how local governments spend resources. Local governments consider statutory allocations as an entitlement. Funds are not tied to specific services, and are often used to finance other expenditures, including other federally-mandated programs. This makes it difficult to ensure that any change in resource allocations achieves the desired results. In the last few years, in spite of increased resources, local government services have declined in many areas. In primary education, for instance, teachers were not paid and schools were forced to close in some LGAs. In primary health care, immunization levels have declined. A plausible explanation was that local governments assigned lower priorities to projects with benefits extending outside its jurisdiction. On the other hand, state governments saw no justification to support these services, as the increase in allocations to the local governments was partly at the expense of allocations to the states.

Table 3.9: Nigeria - Federation Account Revenue Distribution

	1986	1987	1988	1989	1990	1991	1992	1993
In billions of current naira								
Federal Government	7.5	15.7	14.8	18.0	23.7	27.0	38.2	51.8
State Governments	2.8	6.2	8.7	10.6	12.5	16.2	19.4	25.6
Local Governments	1.7	2.1	2.7	3.3	6.2	8.1	15.2	21.4
In billions of 1987 naira								
Federal Government	8.4	15.7	9.6	7.7	9.5	9.6	9.4	8.1
State Governments	3.1	6.2	5.6	4.6	5.0	5.8	4.8	4.0
LGA Governments	1.9	2.1	1.8	1.4	2.5	2.9	3.7	3.4
Share of Federation Account (% of actual distribution)								
Federal	63.0	63.6	55.4	55.0	50.9	50.5	49.1	48.5
State	23.5	25.1	32.6	32.4	26.8	30.0	24.9	24.0
LGA	14.3	8.6	10.2	10.1	13.3	15.0	19.5	20.0
CPI (1987=100)	89.8	100.0	154.5	232.4	249.5	281.1	406.5	638.8

Sources: Central Bank of Nigeria, annual reports and statements of accounts.

3.38 Moreover, aggregate allocations to local governments may not reveal the specific problems of each locality. Statutory allocations were transferred to local governments based on the criteria of equality (30 percent for each LGA), population (40 percent),

social development (10 percent), area (10 percent), and internal revenue effort (10 percent). Allocations may not meet the specific needs of each LGA. In the last few years, allocations seemed to have favored more rural than urban areas, with some urban and semi-urban local governments running deficits while rural local governments reported surpluses. Furthermore, allocations within each LGA are up to the discretion of local leaders, and may not favor the needs of the poor communities.

3.39 There is also little transparency and accountability for the use of funds at all levels of government. In 1993 federal extra-budgetary expenditures made up more than half of total expenditures. The bulk of extra-budgetary spending was not documented in public records. At the state and local levels, financial records are poorly kept and do not adequately account for funds transferred from the federal government. Attempts to keep track of state and LGA finances are made more difficult by the creation of new states and LGAs -- the number of states increased from 21 to 30, and the number of LGAs from 453 to 589 between 1989 and 1991. While the taxpayer may be very concerned over the quantity or quality of services, as indicated in the PPA studies, they are completely powerless in influencing the allocation or use of resources, or making government officials accountable for them.

3.40 **Lack of Clarification of Responsibilities.** The roles of different levels of government in the provision of services, overlapping responsibilities and constant shifts of functions between one level of government and another have further compounded fiscal inefficiencies. Responsibilities for education and health services are shared between lower and higher levels of government where the benefits extend beyond local or state boundaries, but there is no clear demarcation of functions, leading to inconsistent implementation, intergovernmental friction and duplication of activities.

3.41 These problems are evident from a review of primary education developments in the last two decades. The federal government provided the bulk of resources for the expansion of primary services in the drive for universal primary education launched in 1976. Simultaneously, efforts were made to strengthen the system of local governments, which were separated from state institutions and accorded third tier status in the federal system. The 1979 Constitution assigned to state and local governments the responsibility for the provision and maintenance of primary education. This provided the rationale for the withdrawal of federal funding for primary education in the early 1980s as oil revenues declined, and resource allocations to all three levels of government fell sharply. State governments, also charged with responsibilities for tertiary and secondary education, did not devote adequate resources to primary education. Local governments had neither the technical capacity nor the financial resources to take full responsibility for the subsector. Consequently, there was a void in institutional support to carry through the basic programs in the 1980s, resulting in a drastic decline in services. The federal government stepped in again with the creation of the National Primary Education Commission (NPEC) in 1989. In the following two years, NPEC was charged with overall responsibility for primary education and coordinated funding from all three levels of government. State primary education management boards and local government

education authorities were established as essential components of the management structure for primary education. But in January 1991, before the management structure was fully established, NPEC was dissolved. Local governments were again charged with responsibility for primary education, with no support from the federal government and unspecified contributions from state governments. In principle local governments should have had adequate resources as their share of the Federation Account had doubled, but in practice many local Governments did not spend the additional allocation on the provision of primary services, which suffered further decline. Under pressure from various educational institutions and the general public, including the Nigerian Teachers' Union, NPEC was reestablished with its former mandate in 1993.

3.42 Decentralization of primary health care was carried out in a more organized fashion, phased in over the period 1988-1990. While all personnel, equipment and facilities were transferred from state to local governments, federal and state agencies continued to be responsible for monitoring and coordinating PHC activities. At the same time a national primary health care development agency was created to provide strategic technical assistance to all LGAs. However, some state officials complained that decentralization to local governments had resulted in a sharp decline in immunization levels. In the Expanded Program of Immunization, coverage fell from 80 to 30 percent after management of the program was transferred to local governments, but local governments complained of inadequate supplies of drugs from state distribution networks. They also blamed state governments for failing to provide required funds to match federal grants.

Conclusions

3.43 This chapter has explored the use of social services by Nigeria's poor. The starting point was a comparison of social indicators across countries to fit Nigeria into the spectrum of international experience. Two main points emerged. *First*, among the countries of the world with large populations (over 75 million), Nigeria's social indicators are generally the poorest. The comparison includes several countries with complex federal structures and/or petroleum reserves that make them not dissimilar from Nigeria. The conclusion is perhaps not surprising: Nigeria's per capita income is also among the lowest of this group of countries, and it is well acknowledged that higher incomes facilitate social investments at both the household and government level. The essential point is that economic growth is ultimately the key to poverty reduction and improving social indicators.

3.44 The *second* point is that Nigeria's social indicators are at around the average for Africa. Since the early 1970's when Nigeria's oil resource multiplied in value, a large flow of "easy" tax revenue has passed through the Federation Account. These resources presented an opportunity for Nigeria to take the lead within Africa in terms of social service provision and ultimately in terms of its level of socio-economic development. There was indeed an expansion of facilities in the early 1970's, but neither the expansion nor maintenance of facilities was sustained. Thus the oil wealth has not translated into a

permanent gain in socio-economic indicators and today Nigeria stands only at the average for Africa rather than in the lead.

3.45 In Chapter 2, this report identified significant income disparities between different parts of the country, with a great concentration of poverty in the rural areas and in the north. Moreover the poorer areas can be documented to have benefited least from economic growth in the 1985-1992 period. How do social indicators compare? In broad terms, similar disparities are observed. This is both in terms of outcome indicators, such as infant and under-5 mortality rates, disease and malnutrition prevalence, as well as in terms of service indicators such as school enrollment rates, the percentage of unqualified teachers or percentage of unattended births. People in the urban areas generally fared better than those in rural areas, and those in the south more so than in the north. There is a clear implication that public expenditures must be redirected towards presently under-served communities if the poverty trap is to be broken. However, perceptions of poor people, local government officers and opinion leaders involved in the PPA indicate that it will be difficult to achieve such a redistributional pattern. Factors said to prevent this include the lack of coordination between government bodies involved in development, the politicization of expenditures on public programs, and the channeling of benefits to communities whose elites have connections in the urban centers where decisions are made.

3.46 How do the poor presently meet their health and education needs? The chapter examined the pattern of household expenditure on such services, coming up with some perhaps unsurprising conclusions. All households allocate some of their resources for health and education. But the non-poor households are able to allocate a much larger proportion of their expenditures for these services than poor households. Thus they are spending a larger proportion of a larger income on health and education services, and the disparities in reported expenditures (per capita) are very large. In 1992/93, extreme poor households spent on average ₦ 9.6 per capita per year (at 1992 prices) whereas for poor and non-poor households the corresponding figures were ₦ 26.9 and ₦ 204.4 respectively. In circumstances where such large disparities exist there is a case for directing public resources towards the poor -- particularly in the social sectors where investment in human capital represents the most effective way to enable people to break out of the poverty trap. But as was seen earlier in this chapter, public resources do not contribute to greater access for the poor, and an important opportunity is being missed.

3.47 The perceptions of the poor of public services are striking. Publicly provided services are often unavailable. Where they exist, it is clear that their quality is seen as very low. While parents may value education, many of those participating in the PPA felt that the quality has fallen so low that the benefit to the child does not offset the cost to the household, including the opportunity cost of the foregone contribution of children to household income. Transport costs - or alternatively a long walk to school - and costs such as school meals and books are additional barriers. Koranic schools in moslem communities are often viewed as a preferred option. Similar service provision problems are seen by the poor as reasons to avoid public health facilities: they are inadequately

supplied with medicine, staff are frequently absent, opening hours are limited and costs of transport may be high. Again, there is often a preference for traditional healers, not only when government services are unavailable, but even when both are available.

3.48 A heavy burden falls on women and girls. More boys than girls are enrolled in schools, and many of the factors that keep poor children out of school are more acute for poor girls. The returns to the family from educating a girl are perceived to be less than those from a boy, since girls marry out (often at a young age) while boys remain to support their parents. Factors such as long travel distances and unsafe or unsanitary school conditions are less accepted by parents for their daughters than for their sons. Moreover, there is a perception - and perhaps a reality - that employment opportunities are better for boys than girls at the end of schooling. In health, government programs focus on important areas such as immunization, growth monitoring and control of diarrheal diseases, but poor women in both urban and rural areas expressed different priorities, concentrating on curative services and on effective care during pregnancy and delivery. With regard to access to health care, boys are again often given preference over girls.

3.49 Returning to government provision of services, how can services be more responsive to the needs of the poor? There is partly a question of financing: undoubtedly more must be spent if services are to be delivered to the large portion of the poor population currently not using public services. But Nigeria's expenditure on health and education as a portion of GDP, while not high relative to other Sub-Saharan countries, is comparable to other large developing countries such as India, Thailand, the Philippines and Mexico. Thus there is also a need to explore ways in which the delivery of services can be made more efficient. Existing constraints to the efficient delivery of social services must be overcome: inefficiencies in the fiscal structure arising from the rigidity of the Federation Account and its allocation formula; difficulties in coping with revenue fluctuations, especially during periods of decline; lack of clarity and overlapping of responsibilities between levels of government; weak management and poor governance within governments; and the need to involve local stakeholders more closely in service planning, management and financing.

3.50 The PPA has shown that a broad range of traditional and "modern" health alternatives are available to the poor in different locations. Health care strengthening should include all of these systems, notably traditional and religious-based providers, if there is to be any realistic possibility of improving services available to the poor, particularly in rural areas.

4. POVERTY ALLEVIATION: CRITICAL ISSUES AND FUTURE DIRECTIONS

While the Government of Nigeria recognizes the central role of poverty reduction, an effective strategy will require a strong and focused emphasis on economic growth, access to social services and infrastructure, and targeting. This chapter sets out an agenda for poverty reduction based on crucial lessons from Nigeria's experience with growth and poverty over the past two decades.

In the event that growth were to continue at 2.0 percent, in ten years time the number of people living in poverty in Nigeria would double from the 1992 total, half the population would be below the poverty line, and almost 60 percent of the poor population would be in urban areas. Rates of growth of at least 5 percent would be required to reduce the proportion of the poor population.

Rapid and sustained long-term growth in Nigeria can be achieved through a combination of policies that support macroeconomic stability, the removal of price distortions, a more open trade regime, more efficient investment, and an improved private sector access to resources, services, and markets.

Long-term growth will also depend critically upon increasing the access of poor people to quality social services and essential infrastructure. Key priorities are health, education, water supplies and sanitation, rural roads, and urban transport. Access could be made sustainable through increased community participation in problem solving, in the provision and maintenance of infrastructure, and in the provision of services.

Limitations on government resources highlight the need for government to rely more on the private sector, NGOs, and community-based organizations (CBO) to undertake activities for which they are better suited. This will require a reorientation away from direct government provision of some services and toward demand-driven policies which facilitate rapid private sector growth. Institutional accountability capacity and inter-governmental coordination must be strengthened at all levels of government. NGOs and CBOs will also need substantial strengthening to play their full role in equitable development.

A. INTRODUCTION

Current and New Government Poverty Initiatives

4.1 Some government programs initiated over the past decade have aimed at improving basic services, infrastructure and housing facilities for the rural and urban population, extending access to credit and farm inputs, and creating employment. Most of these programs, summarized in Box 4.1, have been administered by the federal government with some cofinancing, in cash or kind, by the states. While none of these

programs is specifically targeted towards the poor, the government has a concern for reducing poverty.

4.2 **The Poverty Alleviation Program Development Committee.** In May 1994, the National Planning Commission (NPC), after considering preliminary outputs from the collaborative work on this Poverty Assessment, took the initiative to set up a Poverty Alleviation Program Development Committee (PAPDC). The PAPDC consists of representatives from government agencies (including NPC and the Federal Ministries of Finance, Health, Education, Agriculture, and Labor and Productivity), non-governmental organizations, community development associations, and academic and business communities. PAPDC's main task is to advise government on the design, coordination and implementation of poverty alleviation programs. Over the past two years, PAPDC, with technical and financial support from the Bank, UNICEF and UNDP, has undertaken its task through discussion workshops, and beneficiary assessments and consultations in rural and urban communities as described below. This work has contributed significantly to the emergence of a new approach to the design and organization of poverty alleviation programs culminating in the proposed multi-sectoral Community Action Program for Poverty Alleviation (CAPPA).

4.3 To help inform the design of poverty alleviation programs, the PAPDC commissioned research teams to conduct consultative surveys of 36 rural and urban communities in six zones across Nigeria in March 1995. The surveys assessed current poverty alleviation activities being implemented by government, non-governmental organizations and community-based organizations; evaluated the capacity and performance of local implementing institutions and the level of popular participation in their programs; and sought the views of communities as to the most appropriate institutional arrangements for community development and poverty alleviation. Major findings of the consultative surveys, with regard to the performance of government programs and the capacity of local organizations and institutions, are summarized in Box 4.2. PAPDC's report from the consultative surveys recommends that:

- To be effective, any national poverty alleviation program would need to be flexible enough to address the diversity of the needs of poor individuals and communities.

- The need to improve the provision of infrastructure and delivery of services to the poor requires the effective harnessing of the energy and initiative of community members with the budgetary and technical resources of government. This can best be promoted through a partnership between government, NGOs, communities and the private sector. Achieving such collaboration will necessitate action in three areas:

    - making government activities more responsive to local demand;
    - enabling and supporting NGOs in their development efforts; and
    - ensuring the coordination of development efforts.

Box 4.1: Some Government Programs Related to Poverty

The government has initiated a range of programs designed to reach the poor. However, there has been little assessment of their actual contribution to poverty reduction.

Multisectoral programs include: the *National Directorate of Employment*, which consists of four main programs: the Vocational Skills Development Program, the Special Public Works Program, the Small Scale Enterprises Program, and the Agriculture Employment Program; the *Directorate of Food, Roads and Rural Infrastructure)*, which supports mainly rural infrastructure projects; and the *Better Life Program*, which supports a multitude of programs targeted at rural women, including agriculture and extension services, education and vocational training, cottage industries and food processing, primary health care delivery and enlightenment/awareness and cooperatives. The last is now replaced by the Family Support Program.

Agricultural sector programs include the *Agricultural Development Programs*; the *National Agricultural Land Development Authority*, the *Strategic Grains Reserves Program*; the *Program for Accelerated Wheat Production*, as well as the development of artisanal fishery, small ruminant production, pasture and grazing reserves. These programs promote utilization of land resources through subsidized land development, supply of farm inputs and services and credit extension to farmers, and institutional support for produce marketing cooperatives.

Health sector programs include the *Primary Health Care Scheme*, which aims at providing at least one health center in every local government; and the *Guinea-worm Eradication Program*, launched in 1988 with assistance of donor agencies including UNICEF, which supports health interventions to control diarrhea diseases, eradicate guinea-worm, and promote changes in knowledge, attitudes and practices relating to water use, excreta disposal and general hygiene. The effectiveness of the PHC program was hampered by inadequate funding from the LGAs, and lack of equipment, essential drugs, and trained manpower. The Guinea-worm Eradication Program succeeded in reducing the number of reported guinea-worm cases from 650,000 in 1988 to 222,000 by the end of 1992.

In the ***education sector***, the *Nomadic Education Program* developed curricula for nomadic education, trained nomadic teachers, and provided infrastructure for the nomadic schools; additional programs were targeted towards girls' education, women and children in exceptionally difficult circumstances, and adult literacy.

In the ***transport sector***, the *Federal Urban Mass Transit Program* was established in 1988 to rescue the public transport system from imminent collapse. New buses were put into public service and loan schemes helped cooperatives and private operators acquire transport vehicles. However, the demand for public transportation in many urban areas continues to outstrip supply.

In the ***housing sector***, a *Sites and Services Scheme* commenced in 1987 to increase the supply of land for residential development by all income groups. The program consists of site clearance, construction of concrete drains and culverts, etc. However, shortage of funds resulted in non-payment of compensation to former owners of assets in the acquired areas, and non-development of essential infrastructure such as access roads, water, power supply, etc.

Financial sector programs include a few initiatives begun in 1989/90: the *National Economic Reconstruction Fund* which provides long-term loans at concessionary interest rates to promote small and medium scale industrial projects; the *People's Bank of Nigeria* which extends credit to the poor who could not have access to the credit facilities available in the commercial and merchant banks; and the *Community Banking Scheme* which provides credit to small scale producers on their own personal recognition.

Source: National Planning Commission, *Government Policies and Programs to Reach the Poor*, Background Paper, January 1994.

Box 4.2: Assessment of Government Programs Related to Poverty and of Community-Based Organizations and Initiatives

Assessment of Government Programs Related to Poverty

- Virtually all the programs lack targeting mechanisms for the poor and do not focus directly on the poor.
- Frequent policy changes and inconsistent implementation have prevented continuous progress and created a climate of uncertainty, resulting in most operators having very short-run perspectives of the objectives of the programs.
- Severe budgetary, management and governance problems have afflicted these programs, resulting in facilities not being completed, broken down, unstaffed and unequipped.
- Inadequate coordination of the various programs has resulted in each institution carrying out its own activities with little regard for activities run by other institutions, leading to considerable duplication of efforts and inefficient use of limited resources.
- The scope of the activities of most institutions is too wide and too diffuse; as a result, resources are too thinly spread in too many activities. For example, both the Directorate for Food Rural Roads and Infrastructure and the Better Life Program covered almost every sector and overlapped with many other existing programs.
- Due to lack of involvement of beneficiaries in the formulation and implementation of programs, beneficiaries do not identify themselves sufficiently with these programs and do not actively support them, either in the form of local resource contribution or in identifying themselves with the sustainability of the programs.

Assessment of Local Community-Based Organizations and Initiatives

- A plethora of local organizations and institutions are active in the communities. These include: traditional and kinship institutions, community associations, occupational associations, cooperatives, women's groups, immigrant welfare associations and religious organizations. These organizations have quite diverse (and often multiple) purposes, and vary considerably in their constitution, vision and dynamism.
- Considerable local development efforts are undertaken by these local organizations and institutions. In many communities, they are responsible for the construction of primary and secondary schools, clinics and health centers, town and community halls, wells and boreholes, drains and culverts. They also supply accessible, reliable and flexible financial services to their members, as well as welfare and relief to the community at large.
- Organizations with an exclusively female membership are active in many communities, but participation of women in decision-making in most community-based organizations is often limited.
- Community-based organizations involved in development and poverty alleviation work are commonly hampered by lack of financial resources, limited capacities for managing and monitoring activities, weak financial control systems and limited technical skills. Links between these organizations and outside agencies are generally weak.

Sources: Report on Consultative Surveys in Thirty-Six Communities, prepared for the Poverty Alleviation Program Development Committee (PAPDC), June 1995; and other PAPDC background papers and reports.

Proposed Strategy for Growth and Poverty Alleviation

4.4 A successful poverty reducing strategy in Nigeria will require a strong and focused emphasis on economic growth, access to social services and infrastructure, and targeting.

4.5 **Economic Growth.** The growth and poverty reduction experienced between 1985 and 1992 shows that modest growth on its own can only bring about a small reduction in the *number* of poor people, although the *proportion* of the population in poverty was reduced. This reflects Nigeria's high population growth rate, the uneven

distribution of economic growth, and the sensitivity of poverty reduction to the composition of growth.

4.6 To gradually reduce the number of people in poverty, growth must not only be rapid but also broad based, export enhancing and employment generating. Such growth can be achieved by emphasizing the expansion of the sources of growth away from excessive dependence on oil production into other areas that can generate increased employment and incomes - agriculture, small and medium scale industry, solid minerals (small scale mining), agro-processing, services, and construction. To generate such growth, Nigeria will need to remove price distortions, liberalize the trade regime, and invest in technology and physical capital. The government should focus its efforts on the policy aspects necessary for improving the quality of its human resources and rely more on the informal and formal private sector to increase capital investment. Land tenure laws and property rights play a key role with regard to farming, mining, and manufacturing and are thus an important area of attention. Likewise, to encourage investment, improved access to credit, technology, and materials is needed. Finally, to provide an incentive to increase output and incomes, access to markets -- both domestic and external must be facilitated. An increase in the number and quality of rural roads, to move goods between farms and the cities, is therefore vital.

4.7 **Access to Social Services and Infrastructure.** Sustained long-term growth depends critically upon increasing the access of poor people to quality social services and essential infrastructure in order to enable them to increase their human capital and make full use of their main asset, namely their labor. Key priorities are health, education, water supplies and sanitation, rural roads, and urban transport. This requires an increase in funding in order to expand the number of facilities, increase the number of rural roads to connect poor communities with existing facilities, and to improve service at each facility. Increasing the supply of, and access to, potable water is an important poverty reducer, not only because of the health benefits but also because many household members (mainly women and children) spend significant amounts of time seeking good water when they could be free to engage in other gainful activities. Affordable and timely mass transportation is important in the urban context in order to provide people with access to jobs and to markets. Access could be made sustainable through increased community participation in the development and maintenance of infrastructure and provision of services.

4.8 **Targeting.** Targeted resource transfers for those who remain in poverty should complement the first two strategy elements. The government can target the delivery of some services and resources to reach poor areas and communities living in poverty, building on existing community-based organizations wherever possible. Within these areas, households whose heads have no schooling and the self-employed should be preferred for targeting.

The Effect of Alternative Growth Strategies on Poverty in Nigeria

4.9 The developments between 1985 and 1992, documented in Chapters 1 and 2, provide strong testimony that economic growth was fundamental for reducing poverty in Nigeria. The extent of poverty reduction during these years reflects also the effects of population growth, rural-urban migration, and the patterns of sectoral and regional growth.

4.10 The alternative growth scenarios for the period from 1985 through 2005 presented below illustrate three key aspects of the possible impact on poverty of alternative growth rates and patterns.[31] (The methodology and data used is provided in Annex 2.) These are:

- The percentage of the population living in poverty will increase significantly unless there is a return to a policy environment that achieves economic growth rates of at least 5 percent per annum.
- Even at a growth rate of 5 percent per annum, the percentage of the population in poverty (the headcount ratio) would at best be stabilized and the size of the poor population would continue to grow, as long as the differentials in growth rates between sectors and regions persist.
- If the bias persists, only an annual growth rate of 7 percent or more prevents a further increase in the size of the poor population, and the proportion of the population in poverty would then fall significantly.

In the following analysis, we divided the alternative growth scenarios into **three** groups:

1. Different annual growth rates;

2. Growth rate of 5 percent per annum, but different patterns of growth across sectors, with different growth rates of the population groups; and

3. Growth rate of 5 percent per annum in all sectors and in all regions: (a) when growth is distributionally neutral (i.e. when also the growth rates of the population groups are also equal) and (b) when population growth rates differ.

4.11 The **first group** of growth scenarios illustrates a situation in which the Nigerian economy progresses at a slow pace with real expenditure rising at a slower rate than population -- both rural and urban areas expenditures grow at the rate of 2 percent per annum. It is assumed that the *regional distribution* of growth and the bias between regions will not change compared with the growth patterns in the preceding years, with the growth in the southern agroclimatic zone being faster than the growth in the northern

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[31] These scenarios are illustrative only. They are based on the 1992/93 NCS survey, UN population and migration estimates, and World Bank assumptions about future growth rates. These scenarios are not intended to be used as forecasts.

zone.[32] Annual population forecasts (based on UN population and migration estimates) assume that the urban population would grow at around 5 percent, the rural population at around 1.5 percent, with the national average at around 2.9 percent.

Figure 4.1: Trend of Urban and Rural Population Share in Nigeria

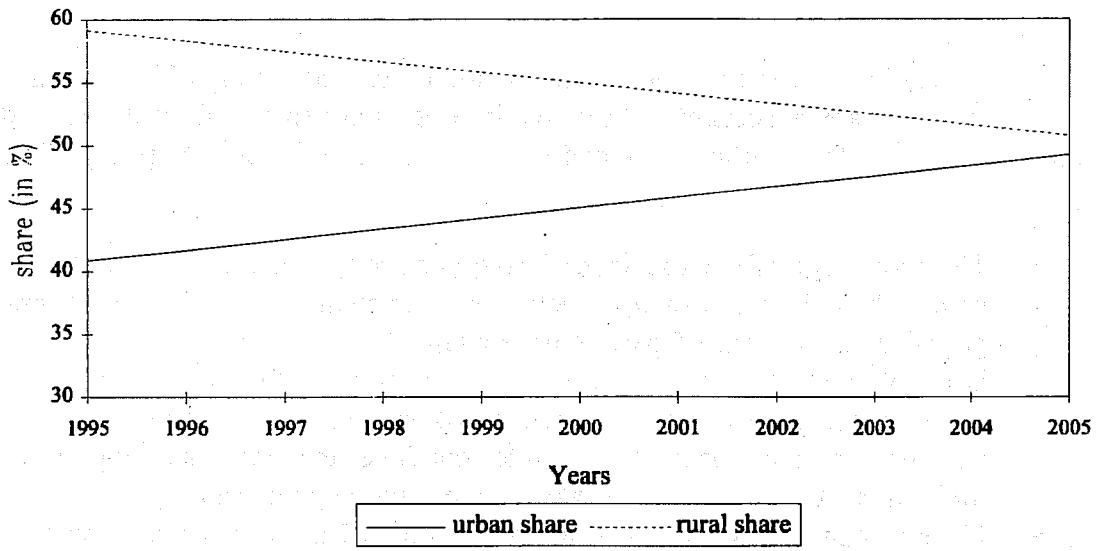


Table 4.1: Poverty and Growth, 1985-2005

			Poverty and Inequality Indicators				
Growth Scenarios	**Aggregate Rate of Growth (Per Annum)**	**Mean Per Capita Expenditure (1985 Naira)**	**Headcount (%)**	**Depth (%)**	**Severity (%)**	**Gini Coefficient**	**Size of Poor Population (Millions)**
Actual: (1985-1995)							
1985		593	43	16	8	.39	36
1992		792	34	14	8	.45	35
1995		720	40	17	10	.46	44
Simulations: (1996-2005)							
2005 indicators							
Scenario 1a	2.0	641	50	23	14	.49	74
Scenario 1b	5.0	876	40	17	10	.51	60
Scenario 1c	7.0	1044	34	14	8	.51	50

4.12 In Scenario 1a, a population growth rate of 2.9 percent is projected to outstrip the slow expenditure growth rate of 2.0 percent. As a consequence, the headcount measure of poverty is projected to rise from 40 percent in 1995 to 50 percent by the year 2005. The depth and severity of poverty would also rise, especially in the urban areas, and the size of the poor population is then projected to rise from 44 million in 1995 to 74 million people in 2005 (See Table 4.1). The rise in income at a rate slower than the population

[32] Reflecting the uneven patterns shown in the NCS data.

growth rate would also result in a decline of some 11 percent in the *average* level of consumption per capita.

4.13 Scenario 1b illustrates the impact of increasing the growth rate of total expenditure to 5 percent for the years 1996-2005. It is assumed that the distribution of this growth across regions would continue to be the same as in 1985-93. Under this scenario, the headcount measure of poverty is projected to stabilize at the level of 40 percent of the population, and the depth and severity of poverty would remain unchanged. The size of the poor population would still be projected to rise, however, from 44 million in 1995 to 60 million in 2005.

4.14 Scenario 1c shows that a high growth rate of total expenditure at the rate of 7 percent per annum is the minimum necessary to prevent a further increase in the size of the poor population, as long as the patterns of growth across sectors and regions remain unchanged. With this growth rate, the proportion of those in poverty would fall markedly, from 40 percent in 1995 to 34 percent in 2005. The impact on poverty would have been greater if a relatively larger share of the increase had not gone to those who are not poor. The Gini index consequently increased from 0.46 to 0.51.

Figure 4.2: Population in Poverty under Different Growth Scenarios (Percent)

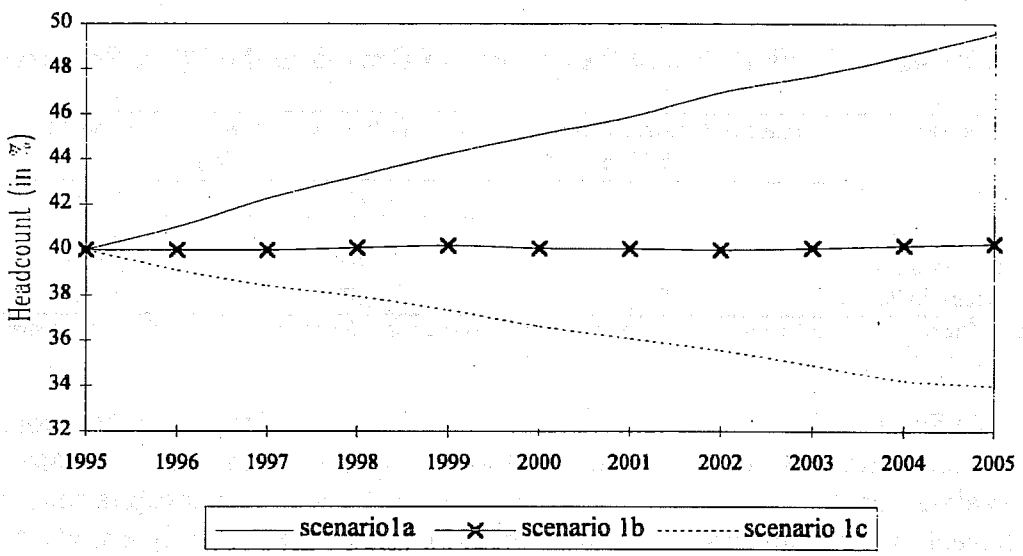
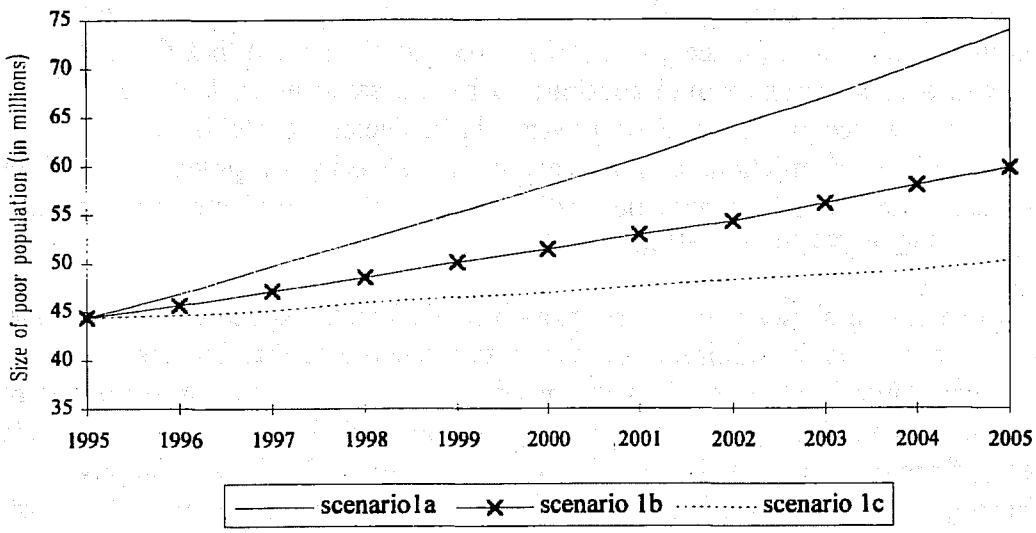


Figure 4.3: Size of the Poor Population under Different Growth Scenarios (in Millions)



4.15 The **second group** of scenarios compares the effects of the same annual growth rate, of 5 percent, but with differences in the pattern of growth across sectors, as shown in Table 4.2.

Table 4.2: Growth Rate and the Patterns of Growth in the Three Scenarios

Scenarios	Annual Growth Rate (%) 1996-2005	Pattern of Growth Across Sectors (%)	
		Urban	Rural
Scenario 2a	5.0	5.0	5.0
Scenario 2b	5.0	7.0 a/	3.5
Scenario 2c	5.0	3.5 a/	7.0

a/ The actual growth rate may deviate from this rate in some years due to the change in the relative share of the two sectors.

4.16 In Scenario 2a, both the urban and rural incomes—and thus the entire economy—grow at an annual rate of 5 percent. In this scenario, the headcount measure would remain almost unchanged at 40 percent (see Table 4.3). Although per capita consumption is projected to rise at an annual rate of 1.7 percent, there would be only a slight decrease in the headcount measure of poverty because of the rise in income inequality as indicated by the rise in the Gini measure of income inequality from 0.46 in 1995 to 0.51 in 2005, which shows that most of the benefits from growth would accrue to the non-poor.

4.17 In Scenario 2b, growth is urban biased with urban incomes growing at twice the rate of growth of the rural incomes. In this scenario, the headcount measure of poverty would decline only modestly, from 40 percent in 1995 to 38 percent in 2005. This is because the urban bias of growth is partially offset by the rapid rise in the urban population due to the continued rural-urban migration; as a result, per capita consumption

in the urban sector will rise at an annual rate of only 2 percent -- despite the urban bias of growth -- the same as the growth rate in per capita consumption in the rural areas. This scenario highlights the fact that, with continued rural-urban migration, poverty is becoming increasingly an urban phenomenon. However, the higher growth rate in the urban areas compensates partly for the rise in urban population, and the incidence of poverty in the urban areas would decline from 42 percent in 1995 to 36 percent in 2005, despite the rise in the share of urban poor in the total poor population from 37 percent in 1995 to 47 percent in 2005.

4.18 In Scenario 2c, growth is rural biased with rural incomes growing at twice the rate of growth of the urban incomes. As a result of the large differences between the rates of growth of the population in these two sectors from the rural-urban migration, average per capita consumption in the rural areas would then grow at 5 percent per annum while in the urban areas, average per capita consumption would *decline* at an annual rate of 2.0 percent.

4.19 With growth having a rural bias, the flow of migrants would likely be slowed. However, if current trends continue, the national headcount measure of poverty is projected to rise from 40 percent in 1995 to 44 percent in 2005, reflecting the rise in the incidence of poverty in the urban areas from 42 percent in 1995 to 64 percent in 2005 while the incidence of poverty in rural areas is projected to decline from 38 percent in 1995 to 21 percent in 2005. As a result, the share of rural poor in the total poor population would decline from 63 percent in 1995 to 53 percent in 2005. This scenario emphasizes the need to take into account future trends -- primarily the rural-urban migration -- in the design of growth policies[33]. The focus for the future should therefore increasingly be on the *urban* areas -- where nearly half of the country's poor would reside by the year 2005 -- and on adopting policies that would impact positively on rural incomes and, thus, in slowing down the pace of migration.

Table 4.3: Poverty and Growth, 1985-2005

			Poverty and Inequality Indicators				
Growth Scenarios	**Aggregate Rate of Growth (Per Annum)**	**Per-Capita Expenditure (1985 Naira)**	**Headcount (%)**	**Depth (%)**	**Severity (%)**	**Gini Coefficient**	**Size of Poor Population (Millions)**
Actual							
1995		720	40	17	10	.46	44
Simulations: (1996-2005)							
2005 indicators							
Scenario 2a	5.0	876	40	17	10	.51	60
Scenario 2b	5.0	879	38	17	10	.50	57
Scenario 2c	5.0	873	44	21	13	.55	66

33 This scenario clearly exaggerates the negative effect of the biased growth by assuming that the trend of the rural-urban migration will not respond to the rising gap in favor of the rural population.

Figure 4.4: Population in Poverty under Different Scenarios (Percent)

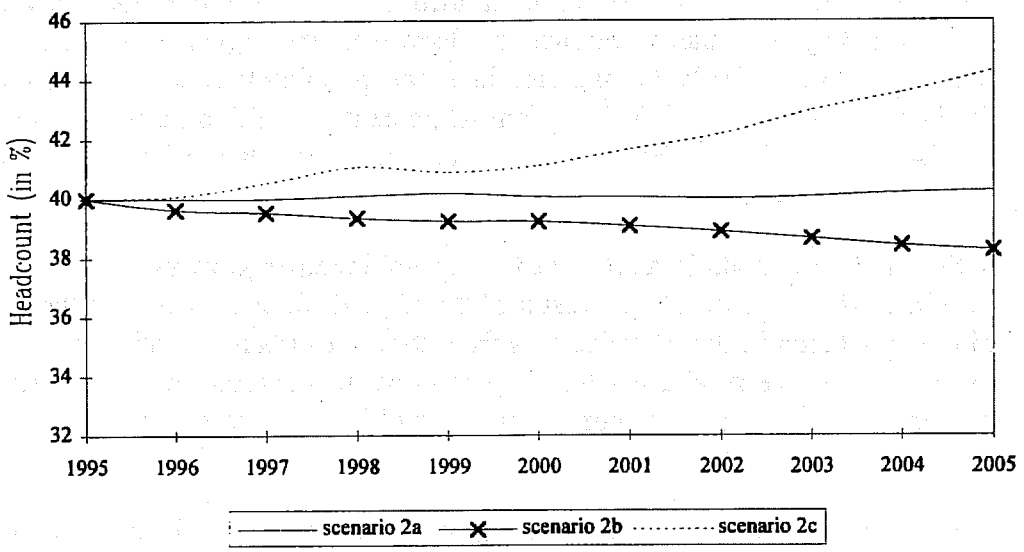
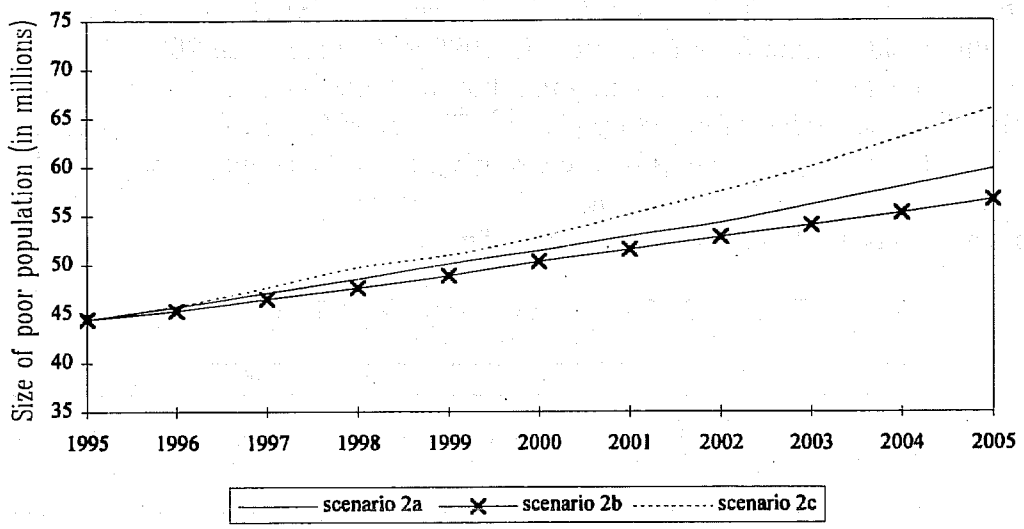


Figure 4.5: Size of the Poor Population under Different Scenarios (in Millions)



4.20 The **third group** of scenarios examines the effect of policies that counter the bias in growth between regions. The overall annual growth rate is assumed to be 5 percent. In Scenario 3a, the bias that existed in the period 1985-92 between regions remains, but in Scenario 3b all regions and sectors and population groups grow at the same rate of 5 percent and income inequality remains unchanged -- growth is distributionally-neutral. The result is that with biased growth the headcount index would remain at 40 percent in the year 2005, but when the bias is removed the headcount index would decrease to 31 percent (Table 4.4). In Scenario 3a, income inequality increases from 0.46 in 1995 to 0.51 in 2005, while in Scenario 3b the income inequality remains the same since the

in the urban sector will rise at an annual rate of only 2 percent -- despite the urban bias of growth -- the same as the growth rate in per capita consumption in the rural areas. This scenario highlights the fact that, with continued rural-urban migration, poverty is becoming increasingly an urban phenomenon. However, the higher growth rate in the urban areas compensates partly for the rise in urban population, and the incidence of poverty in the urban areas would decline from 42 percent in 1995 to 36 percent in 2005, despite the rise in the share of urban poor in the total poor population from 37 percent in 1995 to 47 percent in 2005.

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Growth Scenarios	**Aggregate Rate of Growth (Per Annum)**	**Per-Capita Expenditure (1985 Naira)**	**Headcount (%)**	**Depth (%)**	**Severity (%)**	**Gini Coefficient**	**Size of Poor Population (Millions)**
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1995		720	40	17	10	.46	44
Simulations: (1996-2005)							
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Scenario 2a	5.0	876	40	17	10	.51	60
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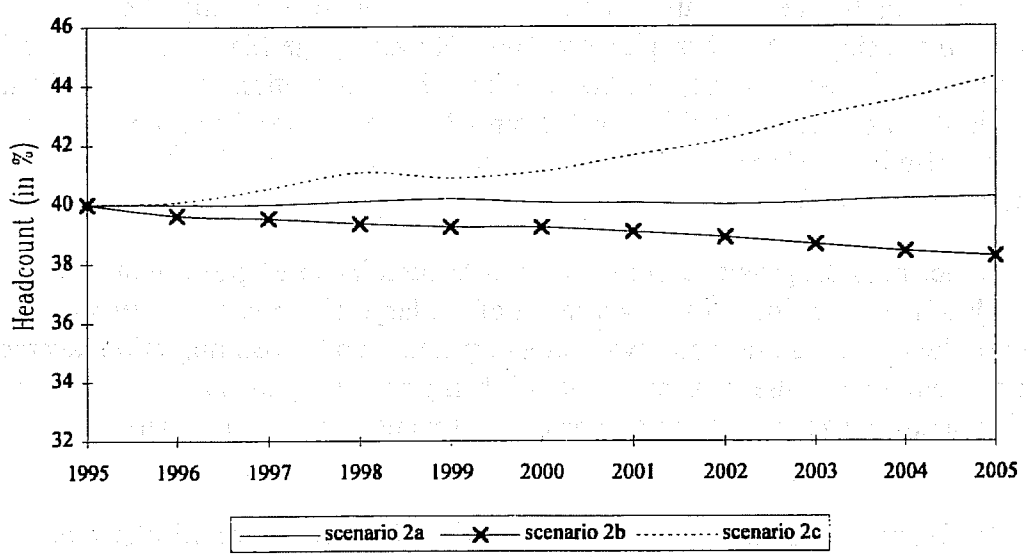
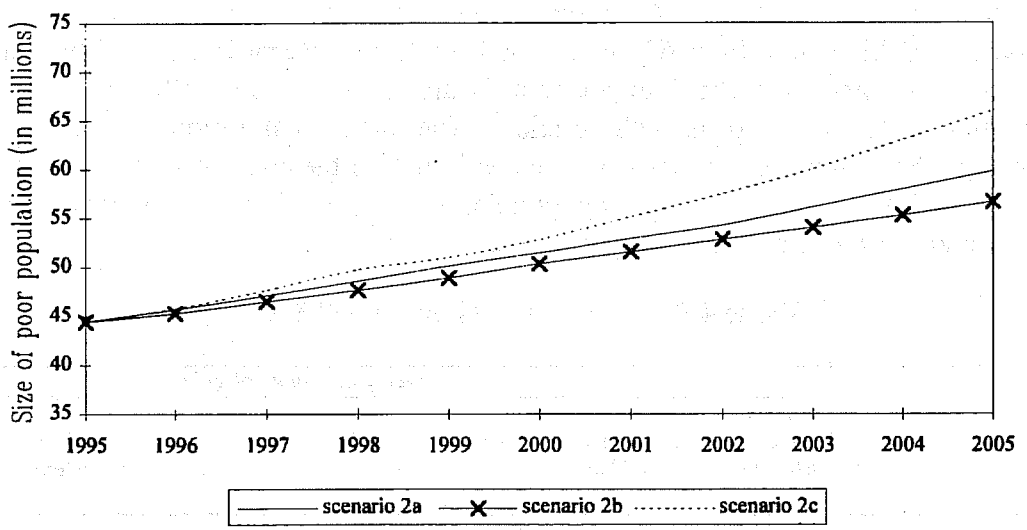


Figure 4.5: Size of the Poor Population under Different Scenarios (in Millions)



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growth rate of *per capita* expenditures for all economic groups are the same throughout the period.

4.21 In Scenario 3c, the growth rates in all regions and sectors are identical but the growth rate of the different population groups are different. Thus, the growth in overall per capita expenditure is the same in Scenarios 3b and 3c, but in Scenario 3c, the growth in per capita expenditures is different for different groups depending on their population and growth rates. In Scenario 3c, the headcount measure declines only marginally from 40 percent in 1995 to 38 percent in 2005, and the income inequality increases from 0.46 in 1995 to 0.49 in 2005.

4.22 In the analysis, growth has three components -- regional, sectoral and population. In Scenario 3a, all the three components grow differentially according to historical patterns (for regions and sectors) and projections (for population); in a distributionally-neutral growth (Scenario 3b) the growth rates of the three components are the same for all the economic groups of the population, while in Scenario 3c, regional and sectoral growth rates are assumed to be identical, but the projected population growth rates vary by sector and by income group. In comparing the three scenarios, the biggest drop in the headcount measure of poverty comes when growth is distributionally neutral. Scenario 3c highlights the fact that the significant part in the assumption that growth is distributionally neutral is that population growth rates are identical; even identical growth rates across the regions and sectors would have only a marginal impact on the headcount measure of poverty when population growth rates differ significantly between economic groups and between urban and rural areas.

Table 4.4: Poverty and Growth, 1985-2005

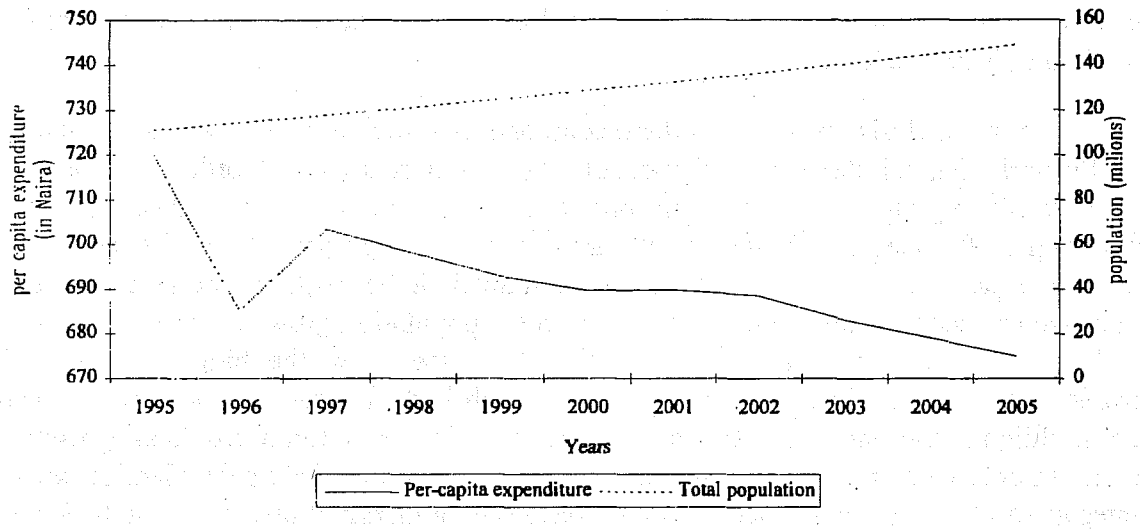
			Poverty and Inequality Indicators				
Growth Scenarios	**Aggregate Rate of Growth (Per Annum)**	**Per-Capita Expenditure (1985 Naira)**	**Headcount (%)**	**Depth (%)**	**Severity (%)**	**Gini Coefficient**	**Size of Poor Population (Millions)**
Actual 1995		720	40	17	10	.46	44
Simulations: (1996-2005) **2005 indicators**							
Scenario 3a	5.0 (different regional growth rates)	876	40	17	10	.51	60
Scenario 3b	5.0 (distributionally neutral)*	877	31	13	7	.46	47
Scenario 3c	5.0 (same regional & sectoral growth rates)**	877	38	16	9	.49	57

* The population growth rate is assumed to be the same for all groups.

** The population growth rate is different for the different groups.

4.23 In assessing how realistic these scenarios are, the final simulation uses the best estimate of economic growth for Nigeria 1995-2005, assumes no major economic changes and private consumption grows at different rates during 1995-2005. This results in an average annual private consumption growth rate of 2.3 percent[34]. Fig 4.6 shows the trend of per capita consumption and the total population.

Figure 4.6: Per Capita Consumption and Total Population in Nigeria



4.24 It is assumed that the urban and rural population growth rates are changing from year to year based on the weights of these two groups in the population, and that the growth rates of the poor and the non-poor population groups in both the urban and rural sectors are proportional to the size of their households. The urban share of the total population would increase from 41 percent in 1995 to 49 percent in 2005, while the rural share would decline from 59 percent in 1995 to 51 percent in 2005 (Table 4.5).

Table 4.5: "Muddling Through" Scenario, 1995-2005

	Aggregate Rate of Growth (Per Annum)	Per Capita Expenditure (1985 Naira)	Income Ratio (%)	Headcount (%)	Gini Coefficient	Size of Population (No.)	(%)
Actual 1995		720	7.9	40.0	.46	111.0	100
Urban		694		41.5		45.4	41
Rural		737		39.0		65.7	59
Simulation: 1995-2005							
Total	2.3	675	6.7	47.9	.49	148.9	100
Urban		551		58.1		73.4	49
Rural		795		37.9		75.6	51

34 It is assumed the ratio of the growth rate of the agricultural GDP to overall GDP is the same as the ratio of the growth rate of rural private consumption growth rate to the overall private consumption growth rate. Given the rural and overall private consumption growth rates the urban private consumption growth rates are calculated every year as a residual, so as to maintain the given overall private consumption growth rate.

4.25 In this "muddling through" scenario the population growth rate of 2.9 percent is projected to outstrip the overall expenditure growth rate of 2.3 percent per annum. As a result, per capita consumption would decline by 0.6 percent per annum (Fig 4.6). The rise in income at a lower rate than the population growth rate would also result in a decline of about 6 percent in the average level of consumption per capita, and that in turn would increase the headcount measure of poverty from 40 percent in 1995 to 48 percent in 2005 (Table 4.5). The incidence of poverty is likely to be much higher in the urban areas (58 percent) than in the rural areas (38 percent) in 2005. This is due to rural-urban migration that would bring the share of urban population up to that of the rural population in 2005. Income inequality would worsen, with the Gini coefficient rising from 0.46 to 0.49, and the expenditure share of the first quintile as a percentage of the expenditure share of the fifth quintile would decline from 7.9 percent to 6.7 percent.

4.26 To put these illustrative scenarios in perspective, note that the growth in aggregate household expenditures between the 1985 and 1992 Household Expenditure Surveys was almost 5 percent per annum. That growth produced a decline of 9 percentage points in the share of the population living in poverty, although the patterns of growth regionally or sectorally were highly biased. These growth scenarios emphasize the need to take active measures to ensure that the benefits from growth are distributed more evenly across regions and sectors. They also emphasize, however, the need to reach annual growth rates of 5 percent to 7 percent. An agenda for rapid growth is presented below in Section B.

B. Policy Agenda for Growth

Macroeconomic Foundations

4.27 How can higher rates of growth become a reality for Nigeria? Recent research has shown that the fastest growing countries in the world are characterized by low inflation, low and manageable overall fiscal deficits, minimal price distortions, strong and efficient investment, and open economies with large trade shares.[35] (Table 4.6) shows indicators based on 119 countries.) Countries which have been able to maintain long-run inflation rates below 30 percent tend to achieve positive growth, whereas those where long-run inflation rates exceed 30 percent tend to have low per capita growth and those with inflation above 70 percent tend to show strongly negative growth.[36] In addition, countries with stable, exchange rates and moderate inflation also tend to achieve higher growth.[37] Thus, achieving price stability is a valuable poverty reduction goal by itself. In this

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35 See for example *The Role of Macroeconomic Factors in Growth*, S. Fischer, 1993.

36 From a sample of 127 countries, 1960 to 1992. See *Inflation Crises and Long-run Growth*, M. Bruno and W. Easterly, 1995.

37 See, for example, *Economic Instability and Aggregate Investment*, R. Pindyck and A. Solimano, 1993.

regard, devising a means to cushion external oil price shocks should become a fundamental objective.[38]

Table 4.6: The Macroeconomic Foundations of Growth (In percent)

Cross Country Averages, 1960-1989	Fast Growers	Slow Growers	Nigeria 1985-92	Nigeria 1993-95
Ave. long-run real per capita GDP growth rates	2 and above	2 and below	2	-1
Inflation rate	12	31	24	57
Standard deviation of inflation rate	9	19	22	0
Parallel exchange rate premium	14	57	80	173
Standard deviation of parallel exchange rate	7	107	105	108
Budget deficit as share of GDP	2	3	5	9
Investment as share of GDP	23	17	15	13
Exports as share of GDP	32	23	29	28

Source: Levine and Renelt (1992), Easterly and Levine (1994) and staff estimates.

4.28 Low growth rates and inflation are correlated with large overall budget deficits in part because of the tendency of many countries to finance their deficits mainly with central bank borrowing - much as Nigeria has done in recent years. For example, inflation in Nigeria increased from 7 percent in 1990 to 57 percent in 1993 while the overall budget deficit increased from 3 percent to 18 percent of GDP over the same period. When there is heavy government borrowing from the commercial banks, market-determined interest rates come under additional pressure, or, if interest rates are controlled, then private sector investors are crowded out. There is evidence that this took place in Nigeria when credit flows (in nominal terms) to the private sector shrank between 1989 and 1993.

4.29 Removing economy-wide price distortions in commodity markets, credit markets, and foreign exchange markets also facilitates growth. An example of a successful policy change in favor of increased farming activity was the elimination of the marketing boards which had forced farmers to accept lower than market prices for their goods. Sectoral credit targets have been proven ineffective. These generally fail to induce poor people to move into the preferred sectors because lenders ration credit to those with the least risk, usually those with the best collateral who would have received a credit allocation anyway. Removing these targets would be beneficial.

[38] For more on this subject, see *Nigeria: Macroeconomic Risk Management: Issues and Options*, The World Bank, Report No. 11983-UNI, August 1994.

Box 4.3: Who is the Private Sector?

The private sector in Nigeria includes everyone who is not a government employee. Not all private sector activity is in the formal business sector. Non-governmental organizations, and community organizations are often important suppliers of essential social services. Some examples are illustrated below.

The Adikpo Widows' Association, Benue State

The Adikpo Widows' Association was formed in 1986 and has a membership of 350. It has land on which it has citrus fruits and farms from which much revenue is generated. It has also installed a grinding mill which, apart from removing drudgery from grinding corn, brings revenue to the Association. In 1991, the Association won a prize for the best organised women's association in Benue State.

Street-side Fruit and Vegetable Sellers in Lagos

In Lagos, street-side fruit and vegetable sellers are mainly women with little or no formal education. Most are migrants who have come to Lagos when their husbands have been transferred for their work. The women's age range is mainly between 20 and the mid-40s. This type of business attracted them because it has a low initial capital requirement, they are familiar with the trade through their mothers, they believe it is a thriving area of business, it is easy to enter and exit, and it allows all types of flexible work practice. Street sellers use much family labour. Both boys and girls assist at weekends, after school and during their holidays. For example, a child can run the sales while its mother goes out of Lagos to buy more stock.

Source: PPA Studies.

4.30 Price controls meant to benefit the poor frequently result in a reduced availability of goods and services to the poor. In general, regulations meant to hold down prices will either cause a decrease in supply or an excess demand which cannot be satisfied. This is the case with NEPA and the refineries, because they are unable to charge the economic cost of providing power and petrol. As noted above, interest rate ceilings are another example. Fertilizer (see para. 4.28 below) provides a third example.

4.31 Small and medium scale enterprises (SMEs) can be used effectively as instruments for: (a) achieving the poverty objectives of the government because they are largely labor intensive and informal and thus can create safety nets in targeted poverty programs; and (b) initiating growth in employment (which is a useful instrument for poverty alleviation) through the use of inexpensive modern and efficient technology. However, the formulation of a policy agenda for SME development would need as its central focus the creation of a conducive macroeconomic environment in the context of a changing role for Nigeria's industry. Recent studies in other developing countries indicate that the most vibrant SME growth occurs in fast-growing sub-sectors. Similarly, an economy is not likely to have a strong group of SMEs without an efficient group of large industries creating the openings for SMEs to fill. In this context, there is the need to focus on competition policy (including the elimination of the monopoly of state enterprises) and to support effective institutional development in areas such as finance, technological adaptation and marketing.

Rural Issues and Agricultural Productivity

4.32 About 62 percent of the population was rural in 1992 and, of these, half were poor. The government's policies will, therefore, need to give priority attention to the rural sector, especially crops and livestock production, and to rural non-farm employment and income opportunities if the number in poverty is to be reduced. The public provision of inputs and the use of trade barriers are inconsistent with a well functioning private sector and an open trade regime. Moreover, despite the announced policies, the private sector has not been encouraged to participate in the supply of agricultural inputs and services. In addition, programs have not been set up in an integrated fashion: there are at least two, if not three or four, programs for most of the key roles performed by government.[39] This creates additional costs not only in terms of Naira but also in terms of time spent on redundant planning and extra coordination. An agenda of key issues to enhance the government's strategy is outlined below.

a. Productivity and Access

4.33 Further increases in agricultural output must come from more productivity because the present land use practices have already caused severe ecological degradation in the form of lower soil fertility, erosion, and deforestation. Yet, the productivity of land and labor is below potential due to a combination of problems related to macroeconomic policies, pricing and input policies, and inappropriate investments. Effective ways of assisting the rural, largely traditional, sector are by assuring access to inputs through liberalized private markets; strengthening and expanding agricultural research and extension services; adapting agricultural technology and extension services to poor farmers, and by improving physical infrastructure, such as irrigation and rural roads. There is also evidence that households will be more willing to try more productive techniques when their ability to absorb risk is increased by access to non-farm incomes.[40] Diversification of income sources could therefore be encouraged. These policies can be further strengthened by increasing the provision of, and access to, drinkable water, health and nutrition services, and education. Access to resources must also be protected by avoiding over utilization of land, particularly with regard to soil quality, grazing lands, and forestry reserves.

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39 Examples of overlapping interests include the Agricultural Development Projects, the Directorate for Food, Rural Roads and Infrastructure, the National Agricultural Land Development Authority, the Rural Agro-Industrial Development Scheme, and the River Basin Development Authorities.

40 See *Rural-Urban Relations, Household Income Diversification and Agricultural Productivity*, H. Evens and P. Ngau, University of Southern California, 1989. See also *Uncertainty and Disaster-Avoidance Behavior in Peasant farming: Evidence from Bangladesh*, Q. Shahabuddin and S. Mestelman, Journal of Development Studies, Vol. 22, 1986.

b. Incentives for Growth

4.34 An example of a successful policy change in favor of increased farming activity was the elimination in 1986 of the marketing boards which had forced farmers to accept lower than market prices for their goods. Subsidized inputs, by contrast, are an example of what does not work. Holding down the cost of fertilizer and land clearing can help those who receive such subsidies but they do not help the majority of the farming population which does not have access to them. Moreover, in the case of fertilizer, the large differential between the border price and the official price induces distributors to smuggle the fertilizer out of Nigeria for large profits.

4.35 Sectoral credit targets have been used with little effect. It is far more important to increase the *access* of the poor to credit. This can be done on two levels. First, formal banking needs to be made more attractive to potential lenders through the elimination of credit targets and interest rate ceilings. Second, the formal banking system could be better linked to informal and community-based credit organizations. The latter tend to rely on mutual trust and social responsibility to ensure loan repayments whereas the formal banking system relies on collateral which the poor are unable to supply. Community-based organizations can also be strengthened to be more effective.

4.36 Exchange rate and trade policies impact on agricultural incentives because a large portion of Nigeria's crops, livestock, and forestry products are tradeables. Maintaining a competitive real exchange rate will provide a strong incentive for those who produce for export -- for example, cocoa and rubber in the south, tin in the middle belt, and cotton and hides in the north. Allowing the real exchange rate to appreciate will do the opposite. Removing export bans will help reduce excess supplies and raise farmer incomes. Eliminating import prohibitions and other non-tariff barriers will help increase the availability of agricultural produce in the consumer market and lower consumer prices. Lowering and reducing the spread between the maximum and minimum tariff rates will reduce smuggling and decrease price distortions.

c. Expenditure Programs

4.37 In the long-run, the government should concentrate on a major revision of the public sector role in agriculture in order to move away from the direct provision of commercially viable inputs and services. Allocations for agriculture are among the largest in the federal budget. Their share, excluding fertilizer, has been close to 6 percent of the total non-debt allocation between 1989 and 1993. The fertilizer allocation took another 3.5 percent, making a total of 9.5 percent -- in contrast to a total of 17 percent (at the Federal level) for health and education. Redundant programs should be consolidated, cost recovery measures broadened and strengthened, and expenditure priorities realigned.

An Urban Agenda

4.38 Approximately 38 percent of the population was urban in 1992 and, of these, over one-third were poor. If current population and migration rates are maintained, 60 percent of Nigeria's population will be urban by the year 2010.[41] The urban sector is also an important contributor to growth having generated approximately half of non-oil GDP between 1985 and 1994. With a macroeconomic framework which fosters a supply response from the manufacturing sector for domestic or export markets, more jobs in urban commerce and services will be created. Moreover, the rural and urban sectors are closely linked. For example, increased agricultural employment and output cannot easily be translated into higher rural incomes and expenditures without expanding urban markets to generate the demand. In most countries, farmers who are located close to a major highway, or close to a major city, enjoy higher incomes than those who are more isolated.[42] The PPA confirmed this in Nigeria. Conversely, low farm output can impoverish urban dwellers as increased food prices edge out housing and transportation in household budgets. Thus, helping the one sector supports the other.

a. Infrastructure

4.39 The level and quality of Nigeria's urban infrastructure urgently needs improvement. The road system is heavily congested and often cratered with potholes, water supply and sanitation systems are overloaded, waste sits in the streets uncollected, and housing is expensive and overcrowded. Poor roads limit access to jobs and markets. Time spent in search of drinking water, especially for women, takes away from time for education or earning an income. Inadequate sewerage and waste removal services results in ill health which again takes away time from earning an income. Expensive or overcrowded housing drives families further away from jobs and limits the funds left for food and other consumption which, in turn, generate other urban incomes.

4.40 Emphasis needs to be placed on strengthening the management of infrastructure, including the amount and composition of investment and reinforcing the institutional capacity for operations and maintenance. Governments can and should rely more on the private sector to finance and manage some of these services.[43] This can be achieved in a variety of ways such as increased cost recovery through appropriate tariffs, management contracts, concessions, and divestment. In some cases, regulations restricting private

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41 *A Strategy for Restoring Urban Infrastructure and Services in Nigeria*, The World Bank, 1995. The 1994 United Nations *World Urbanization Prospects* estimates that Nigeria will be 60 percent urban by 2020, with the assumption that population growth rates will have declined slightly over time.

42 See *Rural-Urban Linkages and Structural Transformation*, The World Bank, Infrastructure and Urban Development Department, Report No. INU 71, May 1990.

43 For more on this subject, refer to the 1994 World Bank *World Development Report* which focuses on options for infrastructure, and *Federal Republic of Nigeria: Strategies for Private Provision of Infrastructure and Urban Services*, The World Bank, Report No. 12421-UNI, July 1994.

sector participation need to be revised. In other cases, such as housing or market facilities, the private sector could provide all the needed services. Overall, the government will need to shift from its traditional roles as investor and provider of services to those of regulator, facilitator, and enabler.

4.41 Urban productivity and employment could both be strengthened by reforms in the provision of essential services by public enterprises. Currently petrol, electricity, water, and telephone services are not routinely available and accessible. As a consequence, alternative sources and supplies appear and everyone, the poor included, end up paying far more for these services. For example, the vast majority of business firms have invested in their own electrical generators. Many have also drilled their own boreholes. Having to make such investments increases the cost of doing business. On average, electrical generators account for between 10 and 25 percent of each firm's capital while operating costs are increased by the need for fuel and spare parts.[44]

4.42 With access to public funds, public enterprises have had little incentive to improve the efficiency or the quality of their operations. Conversely, because public funds are now constrained, funding for needed improvements has been unavailable. Divestment offers both the necessary autonomy and access to domestic and international capital markets. Utilities which are currently monopolies, such as NEPA, NITEL, or NNPC, can be sub-divided and/or exposed to competition from new market entrants. Other monopolies, such as local water utilities, should remain under public regulation to balance consumer and producer interests. Even so, the government should grant all such parastatal enterprises full managerial and financial autonomy in their operations.

b. Targeting

4.43 The urban poor tend to be concentrated in identifiable, high density areas that are economically depressed, have poor environmental and health conditions, and have the highest deficits of basic services. A part of the investment for improving urban roads, water supply, sanitation, drainage, and waste management should be targeted directly to these lower income urban areas. One of the keys to success for "area upgrading" programs is early community participation, especially that which generates some valid expression of the real demands and priorities of the beneficiaries. Another crucial element is the recovery of operation and maintenance costs through user fees or local taxes. Area upgrading programs provide economic benefits in various forms: (a) considerable experience shows that the provision of basic infrastructure and services in such areas can spark substantial private, community-based investment in local enterprises and housing; (b) improved environmental health begets higher productivity among individuals; (c) improved access in the form of roads, footpaths, and public transport services gives people more income-earning opportunities inside and outside the community and cuts the opportunity costs of travel times; and (d) extension of network

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[44] See *Impacts of Infrastructure Deficiencies on Nigerian Manufacturing*, The World Bank, June 1991.

infrastructure (water, sewers, electricity) enables the poor to benefit from lower fees resulting from economies of scale. (Studies have documented that the poor pay considerably more for water, sanitation, etc. from alternative providers where network connections are absent, even in comparison with real cost recovery tariffs).

4.44 Urban poverty alleviation requires that improvements in the city-wide aspects of infrastructure and services complement those targeted to lower-income areas. Most urban services are being provided in a very cost-ineffective manner, with the wrong technologies and huge amounts of waste. More efficient provision of infrastructure and services -- though competition in some cases -- would have special benefits for the poor: resources would be freed and/or mobilized for extending services, and there would be much more scope for providers to offer varying levels of service at different prices depending on willingness and ability to pay.

c. Financial Services

4.45 A variety of urban activities, such as industry, construction, trade, and retailing, are highly dependent upon access to credit. Part of the solution lies with macroeconomic policies: government deficits, financed from domestic borrowing, tend to crowd out access to credit and raise interest rates. Another aspect is the need for better regulation of the banking sector. Many banks have been allowed to accumulate large portfolios of non-performing loans which, in turn, raise the intermediation spreads. Large investors, particularly industrial investors, will need access not only to the banking sector but also to the bond and equity markets. The latter is well established but thin while the former has yet to take off for all but government bonds. Yet another issue is the need for ways to extend banking services to the poor who do not have the collateral that most commercial banks require. A broad range of indigenous credit organizations exists and government policy should be geared toward facilitating development of linkages between formal rural financial intermediaries and their counterparts in the informal sector.

d. Land Use

4.46 The various policy and regulatory impediments on land purchasing, land development, and establishment of secure property rights have a disproportionate impact on the urban poor. The poor find it nearly impossible to acquire land (even unserviceable land) for housing. Builders (other than the government) have difficulty obtaining parcels of land and the necessary permits for housing development. The poor are at the very end of the severely restricted supply queue because their affordability is lowest. In addition, state ownership keeps large quantities of land off the market. A certificate of occupancy can take up to five years to obtain. Land titles are often uncertain and therefore do not serve well for collateral when seeking credit.

4.47 Other key issues for the urban agenda include:[45]

- Strengthening the links between urban government, community leaders, community organization, and the urban poor, to create a better match between what is needed and what is supplied -- and to increase public sector accountability.

- Improving the financial and technical capacity of municipal institutions. Many government agencies suffer from low staff remuneration, lack of equipment and supplies, poor management practices, and poor project implementation capacity. The local governments, in particular, are in deep need of assistance both in terms of resources and technical capacity.

- More effective division of resources and responsibilities between federal, state, and local governments. In particular, the relationships between state and local governments need attention. Many state governments have failed to release funds in a timely manner to local governments and have interfered excessively in their operations.

- Improving the regulatory framework to increase market efficiency. Recent regulatory changes in the investment code and the foreign exchange control act are helpful and should be followed by additional reforms in the markets for credit, wages, and petrol.

- Creation of temporary labor-intensive wage earning opportunities for the unemployed.

- Increasing the level, quality, and access to, basic social services. Primary health care, nutrition, family planning, primary education, and vocational training are essential. This is discussed in the next section below.

C. Social Services and Infrastructure

4.48 Providing the poor with better social services was identified as the second key strategy for poverty alleviation. While economic policies that promote growth and sectoral productivity are the driving force that can generate opportunities for the poor, the level of investment in the human capital of the poor is a critical accompanying step to enable them to take advantage of these opportunities. As discussed in Chapter 3, Nigeria must *invest more*, and *more efficiently*, in health, education, and infrastructure -- in a way that improves the *access* of the poor to these services. An essential prerequisite in this effort is an improvement in the level of mutual support and coordination between the three levels of government.

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[45] See *Urban Policy and Economic Development: An Agenda for the 1990s*, World Bank Policy Paper, 1991 and *A Strategy for Restoring Urban Infrastructure and Services in Nigeria*, The World Bank, 1995.

Priorities for Improving Education

4.49 In Chapter 3, it was pointed out that the government has largely failed to respond to the education needs of the poor, and that constraints to the public provision of education services are due as much to the level of resources available as to the allocation, management and use of available resources. These findings suggest that the level of funding per student in real terms, from both public and private sources, needs to be increased, especially at the primary and secondary levels. At the same time, the government needs to examine its priorities in the sector and make necessary adjustments to ensure that the increased spending will be used efficiently. Some of the key issues are outlined below:

- *Quality*. The PPA studies have indicated widespread dissatisfaction with the quality of education provided in government schools. Parents will not be motivated to send their children to school unless they can see that their children and their families will benefit from the schooling. At a minimum, the basic routine operations of the school system must be maintained. This requires that qualified teachers attend school at the specified hours, that they be paid regularly and on time, that dilapidated school facilities be rehabilitated, and that school supplies including textbooks and other instructional materials be made available. These concerns apply to all levels of education.

- *Access*. The national primary education goals are admirable, but expanding universal education to nine years will currently over-tax the financing and administrative capacity of the government. Priority should be given to achieving a high rate of both female and male literacy and numeracy within the first six years of schooling. To encourage attendance of children from poor families and to accommodate local conditions, it may be necessary to adjust the school terms and hours in some communities. It will also be necessary to devise means to assist poor families with the school fees, textbooks and other school materials for their children. Particular attention will need to be paid to the disadvantaged communities in the rural areas and in some of the northern states which are currently recording very low enrollment ratios. In some areas special programs will need to be designed to encourage girls' attendance in schools. Local resources where available should be tapped and coordinated with the public system. For example, linkages between the Koranic education system and the government system could be strengthened. Non-formal education programs and special programs for the nomadic and migrant communities should be expanded to help the poor gain literacy and acquire skills. At the tertiary level, expansion should be constrained until the access problems of primary education have been addressed.

- *Financing*. Real per capita expenditures on education need to be increased if the quality of the system is to be improved. As public resources are limited, the private sector should be motivated to increase its involvement in and contribution to the education system. In allocating public resources, priority should be given more to

primary and secondary education than to tertiary education, as the poor are more likely to benefit from the lower levels of education. Funding for primary education is especially critical and must be maintained at adequate levels. In order to conserve scarce resources, the number and cost of new capital projects should be reduced and emphasis put on maintenance and rehabilitation of existing facilities. Projects -- at all levels of education -- which do not directly enhance educational quality or are of low priority should be eliminated.

- *Gradual decentralization of school management.* The management of the education system must be conducive towards providing a prompt response to the needs of local communities and gradually strengthening their capacity to become more involved in the supervision and management of the schools. The current management structure for primary education should be maintained and further developed -- with the National Primary Education Commission working closely with state ministries of education and local government education authorities and building up district and village education committees, and at the same time fostering community participation by involving local, school and teacher organizations in the management of the schools. Decentralization of the education system is a long-term process which must be well planned and implemented in phases, with substantial support of the federal government throughout the entire process. In the example of Mexico (Box 4.3) the level of resource contribution from the federal government actually increased in the initial phase of the decentralization process.

- *Monitoring and Evaluation.* The ability to assess and trace change is hampered by weak data collection systems, absence of basic population information and weak analytic capacity. To supply improved education requires effective systems for regular data collection and analysis.

Box 4.4: Decentralizing Educational Services in Mexico

Mexico began in 1978 to decentralize the education system and to reduce the federal government's role in delivering basic education. The primary objective was to increase the accessibility of primary education activities. The program decentralized textbook distribution, teachers' training, resource programming and management, service delivery, and construction and maintenance. By 1982 primary enrollment rates increased, drop-out and repetition rates fell, and completion rates went up.

The success of this decentralization program is partially credited to a strong degree of political commitment to the process at all levels of government. In particular, local officials were willing to support and perform the decentralized program management functions assigned to them. Local leaders possessed the technical knowledge required to implement the decentralization strategy. And local school stake-holders had a positive and supportive attitude towards the delivery of education services, manifested by their participation in student-parent associations and the construction and maintenance of schools.

The government began the process of deepening the decentralization program in 1988, taking a gradual, pragmatic, and politically feasible approach proceeding in three phases. First, state-level delegations were created to take responsibility for the day-to-day operations of schools. Second, the federal government devolved onto the states the responsibility for defining the work plans for the educational system (creating technical autonomy). Both of these stages have been underway since 1988. The changes were complemented by efforts to increase community participation in the education system by involving parent-teacher associations and other organizations, in infrastructure matters, purchase of equipment, and managing the process of curriculum development. The third phase is the creation of financial autonomy for state educational facilities. Under the proposed reform, the federal government will retain responsibilities for planning and budgeting. There will be shared financing of operations, based on the states' abilities to pay.

It is notable that, during the transition process, federal support for the sector increased in order to fund the necessary training, coordination, and organizational efforts.

Priorities for Improving Health

4.50 As in the case of education, government health programs are not seen as meeting the needs of the poor. Dissatisfaction with government health facilities is a recurring theme in the PPA studies, and has led to increasing reliance on traditional and informal private health providers throughout the country. While the private sector is the major provider of health services, there are no mechanisms to assist the poor who face high prices, nor to protect them from questionable effectiveness of services. To improve health services for the poor, the objectives of the *National Health Policy* will need to be translated into a detailed implementation strategy that addresses the problems of inadequate access to services, poor quality of health care, lack of drugs, unpredictable budgetary allocations, a non-functioning referral system and inappropriate resource distribution. Although all areas of the health sector demand attention, the most important need is to improve primary health care. Some of the key areas to be considered are:

- *Financing and resource distribution.* Per capita expenditures on primary health care will need to be increased. Priority should be given to the procurement, utilization and maintenance of materials and equipment that support primary and secondary health care. Personnel costs, which take up the largest share of federal expenditures, can be

reduced, especially in the tertiary system. More needs to be allocated to supplies, equipment and maintenance, and the renovation of existing assets, rather than new construction. Special attention should be given to addressing the needs of the currently under-served communities in the rural areas and in the northern regions of the country. In these communities, there is need to strengthen support for curative services and for effective care during pregnancy. Schemes to provide low-cost health care to the poor will need to be designed.

- *Public-private coordination.* The substantial contribution of NGOs and religious-based health care providers needs to be fully recognized and coordinated with the government system. Traditional healers and traditional birth attendants play significant roles in providing services to the poor, especially in rural areas, and in some communities traditional birth attendants are provided with training in basic "modern" techniques to integrate them better into the system and to improve their performance. These efforts should be supported and the training programs could be further developed. At the same time, the quality of services provided by the large number of patent medical vendors and chemists needs to be closely monitored and regulated.

- *Inter-governmental coordination.* Improved coordination is crucial in planning and management throughout the system. Joint liaison committees and state health councils could deal with joint concerns, such as supplies of essential drugs, referral systems, and the division of services between hospitals and LGA clinics. Where management is transferred to local governments, as in the case of the Expanded Program of Immunization (EPI), it is crucial that federal and state agencies continue their technical and, if necessary, financial support to ensure that the performance of these programs does not suffer from the lack of supplies or appropriate staff. There is a wide variety of performance between LGAs in each state and across the country, and different levels of assistance may be required.

- *Management systems.* There is an urgent need to streamline the vast amount of information in Nigeria's health system. Particular attention should be given to data that will assist decisions about resource allocation and quality assurance. Training should be provided in managerial skills, budgeting, monitoring and evaluating health services. Monitoring and coordination of primary health care activities are particularly important to ensure that these meet the needs of the poor.

Water Supply and Sanitation

4.51 The PPA shows that rural communities consistently regard water supply one of their highest priorities in combating poverty. In 1991, it was estimated that 40 percent of the population had access to safe drinking water, only 20 percent in the rural areas. Rural dependence upon rivers and ponds has resulted in an unnecessarily high incidence of dysentery, cholera, guinea-worm, and other water-related diseases. Moreover, many

Nigerians, especially women and children, spend much time seeking water when they could be engaged in more productive activities.

4.52 An agenda of key actions to improve access to safe water is outlined below.[46] In developing an overall strategy for water supplies, no one approach will work for all of Nigeria. In particular, urban approaches cannot be applied to small towns, nor can a small town approach be applied to rural communities.

- *Financing.* Vastly increase the resources devoted to the provision of water supplies. In 1988, the estimated cost of bringing both urban and rural areas up to acceptable levels within 10 years for urban areas and 20 years for rural areas was estimated to be approximately US$4.3 billion. This would be equivalent to roughly US$400 million per year in 1995 prices.

- *Rural communities.* Maximize community participation in identifying, planning, and maintaining low cost water supply systems. Private firms could be called upon to provide goods and services needed to plan, construct, and maintain facilities. This would include: local NGOs to assist communities in planning their water supply systems and maintaining them; private mechanics to help with preventive maintenance and repairs; and private retailers to distribute pumps and spare parts. The federal or state governments should focus on providing communities with matching grants to help cover costs. For example, under the National Rural Water Supply and Sanitation Program, federal assistance will be provided to communities which have raised 10 percent of the costs and have committed themselves to take responsibility for operations, maintenance, and revenue collection. This commitment is essential in order to assure water users of quality service and to ensure that government resources are targeted on communities that will maintain their systems.

- *Small towns.* Small towns between 5,000 and 20,000 are not included in rural water supply projects and are a low priority for urban water supply agencies. For the foreseeable future, the only way to provide sustainable water supply services in these towns is for local water boards to manage their own facilities. They could be assisted in this by private local firms which could provide planning, design, construction, supervision, and management support. Private companies under contract to town water boards would operate and maintain facilities and collect revenues. Technologies would be mixed: piped systems would serve the central parts of these towns while point sources such as boreholes and dug wells might be more appropriate for the lower density areas. Projects should start small and then coverage could be expanded as experience is gained.

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46 Drawn from *Federal Republic of Nigeria: Water Supply Sector Memorandum*, The World Bank, Report No. 8271-UNI, February 1990 and *Federal Republic of Nigeria: Strategies for Private Provision of Infrastructure and Urban Services*, The World Bank, Report No. 12421-UNI, July 1994.

- *Urban areas*. Rely on the private sector to perform routine monitoring, metering and billing, maintenance, repair work, and construction. This will not only alleviate administrative bottlenecks, but also create new jobs since much of this work is labor intensive. Rely on the private sector to provide much of the necessary financing as well. Given the enormous magnitude of the required resources, there is little choice. This can be done through user fees, management contracts, leasing, affermage, concessions, and privatization. In order to bring in the private sector, state and local agencies will need to guarantee private sector operators much more managerial and financial autonomy than the waters utilities are presently allowed. Federal and state agencies will, however, need to continue to set and monitor standards for water quality. Tariffs could be reviewed by independent state tariff committees. Increased cost recovery efforts through higher tariffs would allow water utilities enough funds to provide for their recurrent maintenance needs if not for their capital costs as well. Experience shows that water users are willing to pay higher prices when access is guaranteed. The fact that many of the poor currently pay high prices to vendors is proof of this.

- *Maintenance*. Maintenance is essential regardless of what kind of community is being served. This requires a management and monitoring system which is close to the people who use the water and it requires adequate funding. User charges, regulated and equitably applied, are essential in this regard.

- *Training*. State and local agencies as well as community organizations and town water boards need to be provided with training and assistance in planning, budgeting, project implementation, management, monitoring, and contracting.

- *Promotion*. State and local governments should be expected to provide technical assistance but should not participate in projects directly. Water quality standards would be set nationally.

Rural Roads

4.53 Both the rural and urban growth agendas stressed the need for more and better rural roads. This will help increase farmers' access to inputs and domestic and international markets as well as urban consumers' access to local farm produce.[47] In this respect, it should be noted that Nigeria has one of the lowest rural road densities for nations with comparable populations. The average distance from a village and a major town varies between 150km and 200km. The average distance between a village and a paved road that connects to a major town is 30km to 35km. The road density is highest in the south and lowest in the north. In 1988, 70 percent of the rural road network was in poor or very poor condition. At prevailing repair rates, it would take 30 years to bring the

[47] River transport is an important alternative in the southern delta states.

road system up to acceptable standards.[48] The situation has changed little since then. This is a costly situation. It has been estimated that farm-to-market transport costs could be cut in half through road rehabilitation. When roads are so bad that produce must be moved by head-loading, the cost savings from road repair can be enormous.[49]

4.54 An agenda of key actions for rural roads should include:

- *Improve managerial capacity.* The local government areas (LGAs) have the responsibility to plan and manage the rural road system yet they generally do not have the administrative capacity to do so. One solution would be to focus LGA efforts on planning and monitoring. Federal and state agencies could provide substantial training and technical assistance. Design, construction, and maintenance work would be contracted out. The contracting management could itself be contracted out to NGOs. This has been done in several West African nations.[50]

- *Financing.* Vastly increase the flow of resources for rural roads, especially in the northern and middle zones. A promising solution could be the adoption of a federal road fund, financed from a fuel tax and charges on heavy vehicles, which would transfer funds to the local and state governments.

- *Maintenance.* Emphasize regular road maintenance which would help avoid future heavy costs of rehabilitation and repair work.

- *Coordination.* Improve inter-governmental coordination. Rural roads are a local government responsibility yet local governments lack resources and capacity. State governments, the Agricultural Development Projects (ADPs), the Directorate for Food, Rural Roads, and Infrastructure (DFRRI), and the National Directorate of Employment (NDE) have provided substantial assistance in past years.

- *Promote private sector participation and employment.* Rely more on private sector contractors and community-based organizations to monitor road conditions, maintain and repair roads. Rely more on private sector contractors for road construction. This would increase the role of stakeholder communities in sustaining the roads which serve them. It would also alleviate LGA administrative problems and create new jobs.

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48 See *Federal Republic of Nigeria: Road Sector Strategy Paper*, The World Bank, Report No. 7844-UNI, January 1991 and *Federal Republic of Nigeria: Rural Roads Sub-Sector Strategy*, The World Bank, Report No. 10718-UNI, October 1992.

49 Head-loading was identified by community members as a sign of poverty in the PPA.

50 Senegal's AGETIP program provides a good example of contracting out.

Urban Transport

4.55 The projected urban growth emphasizes the need for better urban transport in order to improve access by the poor to jobs and markets, and to decrease the amount of time spent commuting to jobs and markets. There are several options available to the government which can help accomplish this important goal, including the following:[51]

- *Credit.* Increase access to credit so that private operators can renew and expand their vehicle fleets. This could be accomplished by removing credit targets and liberalizing interest rates. Subsidized bus loans should be phased out as they are expensive to government and tend to drive commercial banks away from making transport loans.

- *Road use.* Make more effective use of exiting road networks and reduce traffic bottlenecks at motor parks and bus stops.

- *Maintenance.* Increase expenditures on road maintenance, rehabilitation, and repair. Priority should go to maintenance: regular maintenance is more cost effective and reduces expensive rehabilitation and repair work. These activities could be financed through the creation of a road fund, financed from a fuel tax and charges on heavy vehicles.

- *Private contractors.* The cost-effectiveness of road work could also be improved by relying more on private contractors instead of on force accounts. As an important side-benefit, such a strategy creates new jobs for the poor.

- *Privatization.* Commercialize and eventually privatize the state transport corporations. The private sector should provide all vehicle repair services.

D. TARGETING

4.56 The third element in the poverty alleviation strategy is to provide well-targeted transfers and safety nets for the poor. This is especially important because there will always be some citizens who are not able to benefit from increased growth and improved service provision. Targeting is efficient because it avoids dissipating public resources over the entire population. This approach is therefore consistent with the need to reduce government expenditures. On the other hand, targeting can be expensive on a per capita basis because of the high costs required for the administration of the program such as the need to certify that program participants are truly among the poor. On average, targeting tends to be most effective when the target population is small relative to the entire population and when the institutional capacity of the government is strong. Moreover, targeting may not be a viable option if the regional or ethnic distribution of resources is a source of political tension.

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[51] See *Nigeria: Urban Transport in Crisis*, The World Bank, Report No. 8974-UNI, February 1991.

Targeting Criteria

4.57 There are several ways in which the poor could be targeted: by economic activity, by region, by state, by LGA, by community, by employment status, by gender, and so on. As a general observation, decreasing the size of the unit of measurement tends to increase the per capita cost of targeting but lower the overall cost of the program. For example, it is less expensive to identify poor states than it is to locate poor households but less costly to help only the poor in each state rather than everyone in each poor state.

4.58 The majority of the poor reside in rural areas and rely on agricultural and related activities as their main source of income. But not all of those in agriculture are poor. Indeed, income distribution worsened most in the rural sector, which indicates an important degree of inequality in land holding and access to other assets and sources of employment. Thus targeting agriculture broadly, while it may raise average incomes, is not as critical as identifying measures that address the problems of poor rural communities. This puts in doubt the efficacy and equity for poverty reduction of broad based agricultural subsidies such as that on fertilizer.

4.59 The observation that the poor tend to reside in poor communities, where their economic options are limited as is their access to social services (Chapter 2), argues strongly for special efforts to identify these poor communities and to design interventions that target the whole community. Based on the government's surveys, if funds were to be allocated to only one-fifth of the communities in Nigeria in which the poor are concentrated, it would be possible to reach over half of the country's poor. According to Nigeria's own surveys, few poor individuals reside in non-poor communities; rather, nearly 80 percent of poor individuals reside in low-income and poor communities.

4.60 From the poverty profile presented in Chapter 2 one can identify candidates for targeting. Two indices were developed from the 1992/93 data that show how much impact on national poverty can be expected from a given transfer to different groups. Both additive (or uniform) and multiplicative or (proportional) transfers are considered. Additive transfers are those where the amount transferred is the same for all persons within the group. This kind of transfer is easier and less expensive to administer because all people within a group or region are treated equally. By the same token, this approach risks transferring resources to those who do not need them because not everyone in a given group is poor. Multiplicative transfers link the amount received to the recipient's degree of poverty as measured by their income or expenditure. This approach has higher overhead costs because of the need for more detailed data but the resource transfer may be more efficient since the poor receive more than the non-poor. Groups with relatively high values of both indicators are good choices for targeting or for design of policies favoring them.

4.61 Table 4.8 shows a series of indices for additive and multiplicative transfers. The higher the index, the more efficient a transfer will be in reducing inequality.[52] The table shows that the rural sector should be the favored choice for targeting. Additive and multiplicative transfers for rural areas are 95 and 94 respectively, compared to 72 and 75 for urban areas (excluding Lagos). Geographically, the northern zone is a good choice -- half of the 20 percent of households in extreme poverty are found there -- for both additive and multiplicative transfers to both rural and urban areas. If the targeting is brought to the state level, and if the patterns observed in 1992/93 have not changed, then the following 8 states should be accorded top priority: Bauchi, Benue, Borno, Kano, Niger, Plateau, Rivers, and Sokoto. Within these areas, households whose heads have no schooling should be preferred for targeting.

4.62 What is needed now is to move from these general observations and indicators to a series of actions that can enable Nigeria to improve its capacity to identify target groups. First among these is the need to use the rich body of survey data that already exists -- both the formal surveys and the informal qualitative studies -- to extract from this data the specific, fine-tuned results needed to identify in more precise terms who the poor are, where they are located and why they are poor. Whatever the geographic, administrative or societal or income grouping selected as the rationale for targeting -- a systematic gender differentiated assessment of the beneficiary and/or participant groups (as in Chapter 2) is essential. This will provide the basis for targeted interventions, both of a policy and project nature, that can reach or empower the poor in an efficient manner.

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52 These indices are constructed from the survey data for P_1 and P_2.

Table 4.7: Poverty Targeting Indices by Various Indicators 1992-93

Groups and Indicators	Additive Transfers		Multiplicative Transfers	
NIGERIA	100		100	
Rural	95		94	
Lagos Urban	60		78	
Other Urban	72		75	
	Urban	**Rural**	**Urban**	**Rural**
Agro-climatic Zones				
Northern	106	117	145	144
Middle	90	106	100	97
Southern	55	60	50	52
State Residence				
Anambra	43	27	29	24
Bauchi	126	144	194	254
Bendel	27	42	32	34
Benue	96	108	90	103
Borno	95	114	120	126
Cross River	73	96	76	81
Gongola	71	79	83	85
Imo	41	38	29	30
Kaduna	49	62	51	50
Kano	107	122	224	187
Kwara	49	90	64	71
Lagos	77	91	101	114
Niger	92	131	166	137
Ogun	59	56	74	55
Ondo	54	77	50	63
Oyo	54	50	44	47
Plateau	104	118	124	90
Rivers	86	100	123	106
Sokoto	160	149	230	203
Educational Level				
No education	95	105	119	110
Primary education	67	70	62	66
Secondary education	52	57	48	44
Higher education	50	66	45	48
Employment Status				
Self-employed	66	68	97	67
Other	83	87	93	91
Wage earner	63	78	95	116
Household Structure				
Traditional male	65	79	77	77
Polygamous	131	139	215	178
De facto female	63	46	21	27
De jure female	71	94	57	102
Single male	37	50	30	34

Source: The Evolution of Poverty and Welfare in Nigeria, The World Bank, April, 1996.

Targeting Options

4.63 There are two viable alternatives available to the government in designing targeted programs: those that improve *public services* - primarily in health, education, water supply and rural roads, and those that make *conditional transfers* to the states. There are important trade-offs to consider. Supplying services can be extremely beneficial when there is a demonstrated need yet, on the other hand, there is a risk that some services will be mis-allocated to communities which are already well provided for or which need other services which are not included in the program. (This was a frequent complaint cited in the PPA and the community survey commissioned by the NPC.) Increasing the size of the target from individuals or communities to states would make targeting easier, but less effective. Yet Nigeria could achieve a considerable degree of effectiveness in targeting revenue transfers through the existing federal system of revenue sharing to state and local governments if the extent of poverty is introduced as one determining factor, and if the transfers were made conditional upon good performance in state delivery of services. These two options --services and conditional transfers -- are discussed below.

a. Provision of Services

4.64 Within large groupings of the poor, there is the clear need for, and possibility of, targeting programs directed at primary education and health care in both rural and urban areas, and particularly in the northern agroclimatic zone. The same is true for rural roads, road maintenance, and water supplies. The key issue is how to ensure that services are delivered when and where they are most needed, without waste. Community studies and community participation in planning are essential tools in this regard.

b. A Hybrid Transfers and Services Program

4.65 The success of such a state based approach to income transfers hinges on the ability of the states to put the extra resources to good use. Nigeria's experience suggests that revenue transfers to state and local governments should be tied to the delivery of essential social services and based on performance in the targeted populations. Where spill-over benefits occur across jurisdictions (as in the immunization program), or when minimum standards need to be imposed (as in educational programs), then the use of *conditional grants* may be better than block grants because this encourages the recipient unit to increase the level of specific services and the federal government can better monitor their use for the intended purpose.

Box 4.5: Examples of Data for Public Resource Targeting

In the 1992 National Survey of PHC Implementation, objective criteria were used to rate 548 LGAs according to PHC managerial infrastructure, service coverage, quality of services, information system, and supervision and continuing education.[53] Although the same survey instrument was used, because different teams were employed in each state, results across states may not be strictly comparable. Nevertheless, for the first time, a method was used whereby states were able to distinguish objectively between better performing and poorer performing LGAs in terms of specific areas of public PHC services. A wide variability in PHC performance was found between LGAs in most states The best performing states were found in all regions of the country except the northwest, and the worst performing states were found in all regions except the southwest. Although the data are consistent with a pattern of poorer services in areas where poverty is more common, this study did not permit a direct analysis of the relationship between PHC performance and poverty. These results could, however, be useful for targeting public resources, particularly at the state level, to improve services in under-served areas where the poor reside.

In the PHC Index Study done by the National Primary Health Care Development Agency in 1992, 189 LGAs in 13 states were included (though it missed most of the northeast region). It used a combination of expert opinion and objective survey measures to create indices on a variety of topics, including PHC service provision, PHC management, "poverty sensitive household sustenance", and the disease situation in LGAs. This study did not distinguish between public and private services. It demonstrated a narrow range of results for the various indices among states, so that it was not able to discriminate different levels of PHC development across the country. However, as the indices were used to identify LGAs in each state with problems in particular domains studied, the results are potentially useful if resources are to be allocated based on need or performance of PHC services. The study also made an association between LGAs with low household sustenance indices (comprised of water supply, sanitation, food availability, and levels of malnutrition) and LGAs with low overall PHC development. In LGAs with low household sustenance indices, the increased risk of being an LGA with problem PHC development ranged from 30 percent in Abia state to 230 percent in Kaduna state.

4.66 Such a system of transfers in Nigeria will require transparency, predictability and equity with respect to state and local needs and revenue generation capacity, while preserving the objectives of the federal government. This is not an easy task and many federally structured governments have not been able to resolve these problems. Brazil, for example, has struggled with a system of federal transfers which is complex, arbitrary and politicized. Marginal improvements have been made through procedures that shorten the time required for the disbursement of grants to lower level recipients, but the system remains cumbersome. On the other hand, central government transfers to finance local expenditures in Indonesia seem to be relatively effective (Box 4.5). These transfers are transparent and objective criteria for distribution are in place. The structure of central government grants is simple, matching the capacities of local governments to manage funds. The experience of Indonesia may offer valuable lessons to Nigeria, given similarities in the structure of revenues (i.e. importance of oil revenues in financing government expenditures) and the assignment of responsibilities among three levels of government.

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53 All LGAs in each state except Taraba and Plateau State were covered.

Box 4.6: Indonesia's System of Central Government Transfers for Social Services

During the 1970s, the government began a process of fiscal decentralization to ensure that national programs were appropriate throughout the country. The principal element of the decentralization process was the creation of a system of intergovernmental transfers that channeled resource from the central government to sub-national governments.

The functions of central and regional governments were distinguished between those services provided directly by central government departments (deconcentrated services), those assigned to regional and local governments (decentralized services), and those shared by both levels of government (co-administered services). Local public services such as public health, basic education, water supply, sanitation and road maintenance were assigned to local governments, while major responsibilities were assumed by the central government in the supply of higher level health and education services.

Two-thirds of sub-national government expenditures are supported by central government transfers. These transfers are divided into general and specific transfers. The general purpose transfers fall into a broad grant program the objectives of which include: assisting in achieving the country's development aims, increasing social welfare equitably throughout the country, and developing local level personnel and institutional capacities. Grants are individually targeted towards specific levels of government. Funds are not released to local governments but are deposited in local branches of the state bank which pays approved contractors' bills. This procedure prevents the misuse of grant funds. INPRES grants are used to finance village level projects, especially local infrastructure and public works. The general purpose grants have two advantages: they are transparent, and facilitate lower level autonomy.

Specific purpose grants take the form of conditional and unconditional transfers to provinces and local governments mainly to finance primary education, health, transportation, and conservation/ reforestation, and are comprised of Subsidies for Autonomous Regions (SDOs) and INPRES grants. Conditional SDO grants are either intended to finance recurrent costs of provincial and local projects, including salaries and the purchase of materials. Among the central government grants used to finance social service delivery, three stand out:

- The *subsidy for primary school operation* finances the operating costs of primary schools, determined according to a per pupil formula which is reviewed every three years. Funds are released to provincial governments and then forwarded to local governments.
- *Grants* are provided directly to local governments for primary school construction, rehabilitation and maintenance. The central government sets standards for construction, and local governments oversee the work, supervised by regional government authorities. Funds are disbursed when bills are submitted.
- The *health grant* covers expenditures on health center construction and rehabilitation, maintaining supplies of drugs, and mobile health centers. It was instituted to promote greater access in rural areas to health facilities, and to enhance health standards by providing safe drinking water and sanitation in rural areas. The central government establishes needs based on case by case investigations, but it delegates locational and execution decisions to local authorities. Cash is disbursed against actual claims for payment.

4.67 Income could also be transferred to NGOs and community-based organizations. In some fields, notably health care provision, linkages between international and Nigerian NGOs have already proven effective in reaching the poor. Given the wide disparity in experience and administrative capacity in these Nigerian organizations, financial assistance would need to be augmented with skills training and careful monitoring.

E. THE PUBLIC SECTOR: ROLES, ACCOUNTABILITY, AND CAPACITY

4.68 The success of the three-point strategy outlined above will depend critically on the role of government and the institutional capacity and accountability to be found within each level of government.

Redefining Roles

4.69 The current approach of government, which is to provide a wide variety of goods and services, subsidized inputs, and financing for large investments is expensive and inefficient. The issue, however, is not how much to provide -- the demand for essential services will continue to rise -- but rather who will provide and how effectively. If the government cannot do everything, then it must increasingly rely on the private sector, NGOs, and community groups. This can best be accomplished when the government is actively strengthening the private sector and is working with businesses, communities, and NGOs. Thus, in the future, the government's role will need to shift from provider to facilitator and collaborator.

4.70 The government could rely on the private sector more to provide goods and services, employment, and financing. For example, in some countries, private schools account for a significant proportion of enrollments at all levels, and private health care has a large role in total service delivery. Even when the private sector does not directly provide services, it can still provide more of the financing when public services utilize fees for services and other cost-recovery mechanisms. This option is especially pertinent in the case of tertiary education as well as in tertiary or optional medical care.

Box 4.7: Privatization Experiences in Other Countries

Cross-country research now shows that privatized firms almost always outperform publicly owned operations. A study of 61 companies from 18 countries and 32 industrial sectors shows strong post-privatization performance: increased sales, greater profitability, increased investment, improved operating efficiency, and, most surprising, a slight increase in work forces.[1]

A second study of 12 firms in 4 countries posed the question of what would have happened if privatization had *not* taken place. The authors did their best to isolate and neutralize the gains and losses due to factors other than divestiture in order to make their estimates of the hypothetical no-divestiture scenarios. They then quantified the welfare gains and losses from the change in ownership by comparing the no-divestiture results to the actual results. In 11 of the cases, there were positive welfare effects and performance gains associated with privatization.[2]

1. William L. Megginson, Robert C. Nash, and Matthias von Randenborgh, *The Financial and Operating Performance of Newly Privatized Firms: An International Empirical Analysis*, Journal of Finance, 49(2): 403-52 (1994).
2. Ahmed Galal, Leroy Jones, Pankaj Tandon, and Ingo Vogelsang, *Welfare Consequences of Selling Public Enterprises: An Empirical Analysis*, World Bank, (New York: Oxford University Press, 1994).
Adapted from *Is Privatization Necessary?*, Financial and Private Sector Development Department, World Bank, May 1994.

4.71 The government could rely more on private, non-governmental and community groups for the provision of social services. There is ample evidence from the PPA that the private CBOs have been active when and where government services have been lacking. Indigenous savings and credit societies are widely utilized and play an important role in meeting crises. Traditional organizations, such as age groups, may take on new roles (for example registering as CBOs) which can sometimes give access to external resources. However, although widely supported, CBOs often lack important skills, such as management and accounting and may on occasions be taken over by individuals seeking

their own ends. But, if an adequate monitoring system is in place, CBOs offer an important possibility for development, since those which succeed are based on shared values and trust. For example, more than 3,800 church based health care providers are grouped under the umbrella organization of The Christian Health Association of Nigeria. It is estimated that, together, they provide around 40 percent of the formal health care services used by the poor in Nigeria. This approach is also widely used around the world. For example, in Tanzania and Haiti, NGOs operate nearly half of the hospitals, and in Cameroon and Uganda they manage 40 percent of the health facilities. In India, Indonesia and Mexico, local organizations deliver basic health, education and water and sanitation services.

Strengthening Institutional Capacity

4.72 There are three critical issues related to the institutional capacities within Nigerian government bodies. The first is the degree of government receptivity and responsiveness to the needs of the population -- transparency and accountability. The second is the need for improved inter-governmental coordination. The third is the need to improve capacities for planning, budgeting, and monitoring.[54]

a. Transparency and Accountability

4.73 If the government is to facilitate rapid private sector growth and to improve the composition of growth, then it will be helpful to know what and where the problems are, whether the current policies are appropriate, and properly implemented. Yet, at present, there is no functioning mechanism for evaluating the level and quality of services desired by, or provided to, Nigerian citizens. An adequate mechanism to set or review targets for the level and quality of services is also missing. For example, do current government plans include appropriate policies and services? Did the government provide the services it planned for in the past? Were they provided on a cost effective basis or was there waste and unnecessary expenditure? While the NPC is mandated to set and review national goals and priorities the Planning, Research, and Statistics (PRS) departments in each ministry are to set and review performance targets. If these mandates were fully complied with, and if the results were published, Nigeria would have the beginnings of a good system of accountability.

4.74 Supplementing the above mandates with mechanisms for determining and measuring the needs of the citizenry would further strengthen government accountability. The PPA has shown the necessity for understanding local situations if development efforts are to be effective. Project planning must be based on locally perceived needs and implementation preferences, rather than on a blueprint developed at a higher level, or even at the LGA level. In the PPA, local researchers undertook studies in nearly 100 communities. The studies showed that rapid appraisal methods provide a relatively

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[54] For an in-depth exploration of these issues at the federal level, see the *Nigeria: Public Expenditure Review*, The World Bank, Report No. 14447-UNI, March, 1996.

inexpensive and effective means of pinpointing local poverty alleviation priorities and possibilities. The survey of thirty-six communities commissioned by the Poverty Alleviation Program Development Committee in 1994 is another useful example of identifying local needs.

b. Inter-governmental Coordination

4.75 Many of the most important elements of the poverty alleviation strategy outlined in this chapter, such as primary health care, primary education, and rural roads are largely state or local government responsibilities. This implies a need to examine the roles played by each level of government. The distribution of responsibilities is set by the concurrent list but this does not preclude the possibility that the provision of essential services could be improved through better coordination between levels of government or through resource transfers from one level to another. For example, rural roads are a local government responsibility but the federal and state governments have made significant contributions in this area. Conversely, local governments have contributed land to federal agricultural programs. All three levels of government share the cost of the fertilizer subsidy. Primary education is a local government activity but the federal government has set up a National Primary Education Fund (NPEF) to administer revenues, taken from the local government share of federally collected revenues, for the entire primary school system; this has been further supplemented by a new Education Tax which is administered by the federal government and shared, through a fund, with all three levels of the educational system.

4.76 Inter-governmental coordination requires careful planning and provision of sufficient resources if they are to be politically viable and operationally successful. For example, the federal government provided the bulk of the funds to support the universal primary education drive launched in 1976, but when the program was shifted to state and local governments in 1979, there was a sharp decline in federal funds. Decentralization of primary health care was carried out in a more organized fashion, over the period 1988-1990, but it resulted in a sharp decline in immunization levels -- coverage fell from 80 to 30 per cent. Many arrangements have been made on a case-by-case basis rather than in an integrated and coordinated manner. For example, federal assistance in providing rural roads has not been effective because there was a mis-match between the local responsibility and the fiscal ability to maintain those roads.

4.77 Nigeria could improve the level and quality of essential services through better inter-governmental coordination. Some of the key issues to be addressed include:

- Degree of clarity in the assignment of tax and expenditure responsibilities for each level of government. If local expenditure responsibilities cannot be supported on the basis of the local tax base, then the level and reliability of resource transfers become essential. Recent and frequent changes in the revenue sharing formula for federally collected revenues, together with several ad hoc mechanisms for deducting revenues

"at source" imply that much remains to be done in terms of accurately assessing the balance between responsibilities and means.

- Degree of balance between control by, and accountability to, central government versus local communities. If the central government is too strong, it risks accountability of the local communities and may thus mis-allocate resources in ways which are inappropriate to local needs. The PPA and PAPDC surveys produced ample evidence that this is the case.

- Degree of balance between the assignment of responsibility, administrative capacity, and knowledge. If a government does not have the capacity to undertake its responsibilities, then the responsibility must be shifted -- to the private sector, to NGOs, or to another level of government -- until local capacity can be developed. For example, the NPEF was set up in response to late payments to primary school teachers from local governments. Likewise, some of the high cost of the university system can now be shifted to the private sector by virtue of Decree 9 of 1993 which allows the establishment of private universities.

- The ability to monitor the quality and adequacy of services delivered. If a government cannot measure its progress against its own targets, or against the needs of its citizens, then there is every chance that resources will be mis-allocated.

c. Planning, Budgeting, Implementing, and Monitoring

4.78 In the section above, administrative capacity was identified as a key factor in the coordinating the delivery of essential services. Recent reviews of the federal, state, and local governments have determined that some areas of administrative capacity need immediate attention: planning, budgeting, implementing, and monitoring.

4.79 The government has made good progress in specifying macroeconomic goals, but sectoral priorities and goals are only weakly articulated. Goals need to move from broad terms to specific measurable results. The government also needs to do more to evaluate the alternatives for achieving each goal in terms of affordability and the best value for the money on an annual basis. The planning and budget process also affects implementation: programs often fail due to inadequate funding or from a general breakdown in facilities and infrastructure. This reflects the current budgetary approach which separates, rather than links, recurrent and capital needs in the approved budget, and excludes the recurrent budget from the rolling plan. It is too easy to draw up plans for new projects without regard to financing and maintenance requirements.

4.80 One of the bigger obstacles in improving the delivery of services is a general lack of knowledge about actual performance as opposed to targeted performance. It is very difficult right now to determine whether targets were met and whether the cost of meeting the target was above or below expectations. This is due to the poor monitoring capacity of most ministries and offices at all three levels of government. At the federal and state levels, this function has been delegated to the Planning Research and Statistics (PRS)

departments.[55] In general, these departments are under-funded, under-staffed, poorly trained and under-utilized. Rectifying this situation would be a useful first step towards improving budget implementation and monitoring.

F. Partnership for Poverty Alleviation

4.81 There is very broad based agreement across rural and urban areas that government has failed to deliver facilities and services which would enable people to lift themselves out of poverty. Community members link this with political turmoil, inadequate accountability, politicization of infrastructure and service delivery, and lack of consultation and participation of communities in planning and implementation. The result is a lack of faith in government's ability to deliver and a feeling that a completely new approach is needed.

4.82 The institutional framework for bringing infrastructure, services and development inputs to poor communities is ineffective. The division of functions between states and LGAs is not coordinated. This allows duplication of provision in some locations, whilst nothing at all reaches others. Further, state bodies tend to design over-elaborate projects which cannot be completed or managed by LGAs. For example, water systems intended for house connection have been designed, but LGAs have been unable to make the connections.

4.83 LGAs have limited budgets and capacity. Although they may have officers intended to liaise with communities, the process is generally ineffective. Decentralization has not led to participation, although in some areas local Health and/or Education Committees and Parent Teacher Associations are beginning to form successful partnerships with LGAs. LGAs need training in participatory planning and should directly involve community-based organizations in project planning, implementation and management. NGOs could play an intermediary role here. Government accountability to communities must be established through the improved performance and approach of LGAs. Poverty targeting should be introduced or (where existing) improved in LGA programs. Locally relevant indices of poverty can be rapidly developed using participatory rapid appraisal methods similar to those used in the PPA and in the later PAPDC study. Local expertise can be utilized and further developed for this process.

4.84 Traditional leaders (such as chiefs and religious authorities) often share the same values as their followers and retain their confidence. They are known by their behavior and achievements in a way in which government officers, even at the LGA level, are not. However, it is clear that they are often not brought into planning and implementation processes. Indigenous savings and credit societies are widely utilized and can play an important role in meeting crises. Traditional organizations, such as age groups, may take on new roles (for example registering as CBOs) which may sometimes give access to

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[55] The PRS departments were established as part of the 1988 civil service reform decree. This decree was invalidated in 1995 but, at the time of this writing, no new decree has taken its place.

external resources. Although widely supported, CBOs often lack important skills, such as management and accounting and may on occasions be taken over by individuals seeking their own ends.

4.85 Systematic programs should therefore be developed to strengthen CBOs, giving them access to training and financial resources which can be retained under their own control. Progress should be formally monitored. Innovative partnerships could be developed between LGAs, NGOs, CBOs and local leaders. The capacity of LGAs should be raised through training, financial strengthening, the promotion of more effective and balanced relationships with State and Federal levels and through giving them a greater degree of autonomy to achieve development in keeping with local needs.

G. Conclusions

4.86 In this report it is often noted that Nigeria's development is something of a paradox. The country is rich but the people are poor. This paradox is especially evident because the vast windfall of oil wealth produced such meager results. But the fact is that Nigeria is rich in land, people, and oil and natural gas resources. Oil and natural gas will generate continuing wealth for many years on which Nigeria can build if it manages this wealth well. If it channels more of this wealth to the development of its people -- its human resources -- and to the productive use of its land and other resources -- then Nigeria has a promising future. Strong and effective resource and economic management are essential. A rapidly growing economy is a must. Stabilizing its volatile oil-gas income streams is also crucial. But the private economy needs to carry the burden of productive enterprise in an open and competitive environment. The government needs to focus on providing that open environment, use its vast resources to raise its people to a higher level of human development and welfare, and ensure that the most vulnerable can also play their role. Government needs to make a firm commitment to place poverty alleviation at the forefront of its development strategy. To succeed, this commitment will need to be backed up by improvements in accountability to the population and in the administrative capacity of each level of government.

4.87 Nigeria is the largest country in Sub-Saharan Africa in terms of population. How Nigeria addresses its economic and social problems will therefore not only determine its own fate, but will also have a major impact on the success or failure of Sub-Saharan Africa. It is imperative that Nigeria becomes a strong growth center on the continent and that it takes the lead in demonstrating how growth with poverty reduction can be achieved in Africa.

ANNEX 1
SIMULATIONS USING A COMPUTABLE GENERAL EQUILIBRIUM MODEL[1]

1. The effects of adjustment policies on the poor were explored with a series of simulations for 1987 using a computable general equilibrium model (CGE), built from data of the mid-1980s. These simulations assist in understanding how complex Nigerian economy to will likely adjust to future economic events, and the impact on various segments of the population. The following discussion traces separately the impact on real incomes of households in Nigeria of: world oil price shocks, the effects of changes in taxation and in the world price of cocoa, and of exchange rate policy.

Description of the Model

2. A CGE model calculates changes in real supply and demand for various commodities in response to relative price changes and vice versa. The commodity markets included in this class of models usually include tradable and non-tradable goods, thus allowing an analysis of exchange rates and the terms of trade, and can often include distinctions between labour and capital--as is done in the Nigeria model used here. Such models are ideal for analyzing the Nigerian situation not only because much of Nigeria's recent history derives from huge relative price swings but also because these models allow an analysis of many different types of households.

3. The model is based on data from the Federal Office of Statistics. These include the 1987 national accounts, 1987 agricultural production estimates, and the 1985 national household survey. In the case of the Nigeria CGE, the economy is divided into nine groups: six sets of households, formal enterprises, the government, and Nigerias' foreign trading partners. The six sets of households are the urban non-poor, urban poor, rural non-poor, rural northern poor, rural middle-belt poor, and rural southern poor. These distinctions are made on the basis of the 1985 household survey data. A social accounting matrix (SAM) was constructed with nine production activities which traces the flow of goods and services from each market within the economy to all the other markets in the economy. These include two export activities (oil and non-oil), four import substitutes (grains, livestock, food processing, and industry), and three non-tradable items (non-traded crops, private services, and public administration). Household and enterprise incomes are assumed to derive from their ownership of the factors of production (labor, land, and capital) and economic rents. The assumed pattern of factor ownership is shown in Table 1.1. Rents from foreign exchange market distortions such as import licensing, quotas, and exchange rate premiums, are assumed to accrue to the urban non-poor and to the formal enterprise sector.

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[1] Drawn from Paul Dorosch, *Implications of Macroeconomic Policy for the Poor in Nigeria, a CGE Analysis*, Background Paper, 1994.

4. Within the model, prices adjust to equate the supply and demand for each commodity and factor of production. The nominal exchange rate is set exogenously as a policy choice, leaving changes in the aggregate price index to adjust the real exchange rate and balance the external accounts.

Table A1.1: Factor Income by Household, In Percent of Total

	Labor			*Land*			*Capital*	
	Rural	*Urban Informal*	*Urban Formal*	*North*	*Middle*	*South*	*Informal*	*Formal*
Urban poor	0	35	0	5	5	5	3	0
Urban non-poor	0	65	100	10	10	10	39	0
Rural northern poor	23	0	0	20	0	0	4	0
Rural middle-belt poor	7	0	0	0	15	0	1	0
Rural southern poor	19	0	0	0	0	20	3	0
Rural non-poor	51	0	0	65	70	65	50	0
Formal enterprises	0	0	0	0	0	0	0	100
Total	100	100	100	100	100	100	100	100

Source: P. Dorosh, *Implications of Macroeconomic Policy for the Poor in Nigeria, a CGE Analysis*, 1994.

Simulations

5. Three scenarios are explored below. These scenarios help answer questions about what would have happened in 1987 if the world oil price of oil had fallen sharply, if cocoa exports had been heavily taxed, or if exchange rate controls had been reimposed. In other words, these scenarios provide insight into what would have happened in Nigeria if the situation prevailing during the early 1980s had continued into 1987.

6. **The Effects of a Large Oil Price Decline**. Between 1981 and 1986, the average price of oil fell by 59 percent from US$34 per barrel to US$14 per barrel. What would have happened if in 1987 the price of oil had fallen another 20 percent to US$11 per barrel instead of rising to US$17 per barrel? The answer depends upon the nature of the foreign exchange market.

7. If world oil prices had fallen another 20 percent, under a liberalized foreign exchange market regime, then the real exchange rate would have depreciated by about 46 percent and real GDP would have been about 6 percent lower than actual GDP. Real household incomes would have been only 2.5 percent lower on average on the assumption that urban laborers could move to rural labor markets, particularly in areas which specialize in crops for export or substitution for imports. Real income would have fallen by 2-3 percent for all household groups, except the poor in the rural south. Many of the latter would have profited from the large real exchange rate depreciation, which would have raised the prices of export crops and returns on land, so that their real incomes would have fallen by only 1 percent.

8. The poor would have suffered more from an oil price shock if restrictions on foreign exchange had been imposed such as a fixed exchange rate and foreign exchange rationing through import licenses. This is true for both rural and urban poor, whose incomes would have

declined by 7 to 9 percent, if the real exchange rate had not been allowed to depreciate, compared with 2 to 3 percent in the absence of foreign exchange rationing. Conversely, there would have been a rise in real incomes of the urban non-poor of about 6 percent. The reason is that, with rationing, the exchange rate premium on the parallel market would rise sharply to 82 percent, producing sizable rents (equal to 6 percent of real GDP) that would go the urban non-poor.

9. Thus an adverse oil price shock would have had serious negative consequences for investment and household incomes. Preventing adjustment of the exchange rate would not mitigate these adverse effects. Instead, the poor would bear more of the burden of the oil shock through severe declines in real incomes (six percent steeper falls for the rural poor) than if adjustment had been achieved through real exchange rate depreciation. This *simulation* for 1987 shows that real income was badly affected by the 1986 collapse in crude oil prices, but *actual* output did not fare as badly as the model predicts because other favorable developments which occurred in Nigeria at the beginning of that same year, namely the liberalization of agricultural commodity marketing.

10. **The Effects of an Increase in Taxation on Cocoa Exports.** Agricultural exports were heavily taxed in Nigeria through produce marketing boards prior to 1986, and through appreciation of the real exchange rate. Official producer prices for cocoa were 36 to 73 percent below border prices (measured at the official exchange rate) from 1972 to 1977. The overvaluation of the official real exchange rate was a further tax on exports, which remained important even after explicit export taxes were reduced in 1978, and after the liberalization of export crop marketing in 1986. What would have happened if the government had increased the tax rate on cocoa, instead of eliminating the marketing boards, assuming that the other SAP reforms had proceeded?

11. If the government had increased the tax rate on cocoa to 75 percent of the border price, approximating the situation in the mid-sixties, export crop production would have fall by 14 percent and the real incomes of the poor in the rural south would have declined by 2.8 percent, in large part due to the fall in returns to land in the south. Rural non-poor incomes would have fallen by 2 percent for the same reasons. The decline in real incomes would have been larger for the less than half of the poor rural households in the south who were cocoa farmers.

12. **The Effects of Foreign Exchange Controls.** The liberalization of the market for foreign exchange in 1986 brought about significant changes in relative prices and a reduction in rents associated with a sharp reduction in the spread between the official and parallel (or open market) exchange rates. To assess the cost of a continuation of the pre-SAP policy of foreign exchange controls, the CGE model was used to simulate the effects of fixing the nominal official exchange rate at one naira per dollar and re-introducing foreign exchange controls with no other change in real recurrent government spending, capital inflows, or world prices. Rents associated with rationed imports are assumed to accrue to the urban non-poor. Intermediate imports are obtained by firms at a price effectively determined by the official exchange rate.

13. The model predicts that the real official exchange rate would have sharply appreciated by 66 percent. This would lower prices of, and reduce incentives for, the production of exports.

Production of export crops would have fallen by 7.7 percent and real GDP would have fallen by 1.1 percent. Since oil exports are held fixed, the decline in total exports is equal only to 0.5 percent of GDP. Government revenues as a percent of GDP would have fallen steeply (9.2 percent), mainly as a result of sales of oil earnings in foreign exchange at an appreciated exchange rate. The counterpart of this loss in naira revenues would be the economic rent gained by recipients of foreign exchange at the official rate. These rents would rise from zero before the re-introduction of controls to 10 percent of GDP. Investment as a share of GDP would have fallen by almost one percent as a consequence of reduced government revenues. The resulting decline in economic activity would have a large negative effect on incomes of poor households (minus 7-10 percent). The real incomes of the urban non-poor, due to their appropriation of the rents from the rationing of the foreign exchange, would rise by 11 percent. Real wage payments would have fallen by 11-27 percent, due in most part to the fall in demand for construction services and other investment goods. This picture appears to be similar to the disastrous economic outcome for 1994, when the government reimposed a fixed exchange rate and closed the bureaux de change.

Table A1.2: Simulation Results for 1987, In Percentage Change[a]

	Oil Price Decline Foreign Exchange Liberalized	*Oil Price Decline Foreign Exchange Controlled*	*Increased Cocoa Taxation*	*Foreign Exchange Controls*
Real GDP	-5.8	-5.6	-0.1	-1.1
GDP Shares				
Consumption	-1.7	-1.8	-0.6	-0.4
Investment	-4.1	-3.8	0.5	-0.7
Government revenue	2.2	-3.2	1.5	-9.2
Exports	-0.7	-1.0	-0.1	-0.5
Imports	-0.7	-1.0	-0.1	-0.5
Rents	0.0	6.2	0.0	10.0
Relative Prices				
Real exchange rate (+depreciation)	45.6	0.0	5.3	-66.0
Exchange rate premium	0.0	81.7	0.0	300.0
Real Wage Payments				
Rural	-3.4	-10.0	-2.0	-10.8
Urban informal	-6.6	-14.4	-0.8	-13.4
Urban formal	0.5	-12.4	3.2	-27.0
Real Incomes				
Urban poor	-2.6	-8.6	-1.3	-9.7
Urban non-poor	-2.3	6.2	0.7	11.2
Rural northern poor	-3.4	-9.6	-1.0	-9.9
Rural middle poor	-2.9	-7.4	-0.8	-6.6
Rural southern poor	-1.2	-7.3	-2.8	-9.1
Rural non-poor	-2.8	-9.5	-2.0	-10.5
All Nigeria	-2.5	-2.6	-0.8	-1.1

a. Percentage change in outcomes drawn from various policy scenarios for 1987 relative to the simulated base case for 1987.\

Source: P. Dorosh, *Implications of Macroeconomic Policy for the Poor in Nigeria, a CGE Analysis*, 1994.

ANNEX 2
METHODOLOGY, DATA, AND PARAMETERS

The analysis of growth scenarios is based on a dynamic simulation model that operates according to the principles outlined in this Annex. The analysis of the country's overall growth process is conducted separately for its two principal components:

(i) The growth of the population; and
(ii) The growth of the economy.

The growth of the overall population is divided into the growth of the different demographic and socio-economic population groups. The overall economic growth rate is divided into the growth of the different economic sectors in the different regions of the country.

Projections for the rate of growth of the population have been made for four different population sub-groups: rural poor and rural non-poor, urban poor and urban non-poor. These projections take into account two factors that determine the different growth rates: first, differences in the average household size and in fertility rates between households in rural and in urban areas, and between low-income and higher-income households; second, the rural-urban migration.

The projections for the growth in income and consumption are made for the two principal economic sectors - agriculture and non-agriculture, and for the three agro-climatic regions - north, middle , and south. The projections in the Base Scenario are based on those prepared by Bank staff. Sensitivity analyses in other scenarios examine the effect of changes in any one or several of these projections.

The differences between the growth rates of the two principal sectors in the three regions reflect the differences in the growth projections for the specific crops in these agro-climatic regions as well as the regional biases that have been observed in the past. In some projections, these biases are assumed to persist also in the future. This bias has been estimated by comparing the rate growth - either of specific sectors or of the economy at large - in the different regions that has been observed in the past. The bias thus shows the extent to which the overall growth rate of a given sector trickles down to the different regions. This bias can also be influenced by policy decisions that target economic activities to selected regions.

The consumption function has the simple Keynesian form and consumption thus grows at the same rate as income. Consumption of each household grows from year-to-year according to the rate of growth of incomes in the sector in which the (head of that) household is employed and in the region in which the household resides.

A separate consistency module ensures that the growth rates of all the sub-groups will be consistent with the growth rates of the corresponding sectors and regions, and that the latter will be consistent with the overall growth rate.

The simulation analysis thus applies the primary data of the household survey in the base year and incorporates any available information on the sectoral affiliation of the household, the occupation of the head of household, its geographical location, etc. - in order to determine the growth rates in income and in the population of different socio-economic sub-groups.

On the basis of these growth rates the entire income distribution is generated for the subsequent year. In the following year, the process is repeated and new estimates are determined. In a dynamic model, some of the growth rates themselves may depend on the state variables, i.e., the levels of the population and/or consumption of specific groups in the current year. In that case, the growth rates themselves are estimated each year on the basis of the value of the relevant state variables in the preceding year.

The underlying assumption in these projections is that the growth rate of per capita consumption of all the households that belong the same socio-economic sub-group is identical. This assumption is referred to as intra-group neutrality. The projections of the simulation model will be more accurate when the population can be divided into a relatively large number of socio-economic subgroups. That division will ascertain that these groups are indeed homogeneous and for these groups intra-group neutrality would not therefore be a restrictive assumption. Thus, for example, in the simulation analysis for this report, the population has been divided into 24 subgroups.

The poverty measures thus calculated will be measures of absolute poverty if the poverty line which is used in all the subsequent years is the same as the poverty line in the base year; they will be measures of relative poverty if the poverty line is determined each year as a fixed proportion of the mean (or the median) income at that year. The Lorenz curve for the each year is generated from the Lorenz curve of the previous year on the basis of the growth rates of consumption and of the population in each of the socio-economic sub-group. The Lorenz curve that has thus been generated can then be used to calculate the poverty and inequality measures in the current year -- along with other social and economic indicators. The simulation analysis proceeds iteratively from one year to the next in order to generate projections for all the years for which the analysis is made.

The main source of the data for the simulation analysis is the entire set of data of the household survey of 1992. In that survey there were some 9,000 households; for the simulation analysis, these households were divided into 24 groups according to the region in which they are located, the type of community in which they reside, their income level, and the sector in which the head of the household is employed. The population subgroups were defined as follows:

- The country was divided into three agroclimatic regions.
- The communities were divided into urban and rural communities.
- The households were divided into two income groups -- poor and non-poor -- according to their level of per capita expenditures in the current year and the poverty line of the year 1992.
- The economic sectors were: agriculture and non-agriculture.
- The growth parameters are divided into two groups:

    1. The parameters that determine the growth rates of the population
    2. The parameters that determine the economic growth rates of all the

The latter set of parameters are the policy parameters in that they define the specific policy measures which have been implemented in order to achieve these growth rates. In this analysis there are six growth parameters that specify the growth rates of the two economic sectors in each of the three agro-climatic regions as shown below:

Table 4.4: Pattern of Real Household Per Capita Expenditures by Regions

Agroclimatic Regions	1985/86 MCHHE	1992/93 MPCHHE	Percentage Change (%)
Northern Belt	540.58	633.91	17.26
Middle Belt	536.15	753.56	40.55
Southern Belt	660.63	934.48	41.45

The population growth parameters are the rates that have been estimated by the Bank. These projections have been made separately for the urban and the rural populations - thereby incorporating also projections of rural-urban migration - as well as for the total population. In the simulation analysis we also take into account the differences in the average household size between the poor and the non-poor populations in the rural and the urban communities that determine, in turn, the growth rates of these population sub-groups. The analysis of the 1992 survey data provided the following information on the average household size of these population sub-groups:

	Average Household Size		
	Urban	Rural	All
Poor	7.52	6.84	7.08
Non-poor	3.85	4.26	4.08
All	4.58	4.93	4.78

Source: FOS, NCS, 1992.

In the simulation analysis it has been assumed that the growth rates of the poor and the non-poor population subgroups in both the urban and the rural sectors are proportional to the size of their households.

The population growth rates were as follows:

	Rural	Urban	All
1985 - 1991	1.60	5.45	2.90
1992 - 1993	1.55	5.20	2.90
1994 - 1995	1.55	5.05	2.95
1996 - 1999	1.44	4.90	2.90
2000 - 2001	1.40	4.75	2.95
2002 - 2005	1.40	4.65	2.90

Source: Bank estimates.

It should be noted that the urban and rural growth rates are changing from year to year according to the changes in the weights of these two groups in the population. The rates noted in the table are therefore only averages for the sub-periods. In the simulation analysis, however, the exact percentage change of each subgroup was calculated.

Given that no household expenditure surveys are available for the years 1993-95, it is necessary to use other information as a guide. In this Report it is assumed that private consumption, as measured in the national accounts, can provide such a guide. As a starting point, it is assumed that if private consumption falls by 1 percent, household expenditures fell by the same percentage.

The FOS has provided estimates of GDP for 1993 and 1994 which show an average annual growth rate of 2.3 percent per annum, which translate into a per capita real decline of 0.5 percent per annum. Private consumption is equal to real gross domestic product (GDP) plus imports, less government expenditures, less private investment. Real private consumption revalues private consumption in terms of constant prices by eliminating price inflation through the use of deflators, some of which appear to contain inconsistencies, notably for net indirect taxes and the oil sector. Moreover, the import and export data appear to be under-estimated when compared to reports from Nigeria's trading partners. In addition, government revenues and expenditures do not seem to correspond well with available fiscal estimates. Preliminary estimates by World Bank staff which address these issues show that per capita consumption may have fallen more rapidly at a rate of 3.1 percent per annum during 1992-95. In addition, it is estimated that real per capita consumption fell by a further 5.6 percent in 1995 due to low real GDP growth and a small contraction in imports. To conclude, given the above, household expenditures in 1995 were probably no more than 90 percent of the levels achieved in 1992. These calculations provide the basis for the scenarios.

The fact that consistent estimates for recent years are not currently available reflects the some of the problems relating to data collection and analysis in Nigeria. These should be addressed in the context of efforts to improve economic management and to reduce poverty.

Table A2.1: Estimates of Real Growth of Consumption, 1993-95

	Real Growth		Real per Capita Consumption	
	FOS	Bank Estimate	FOS	Bank Estimates
	Annual Growth (%)		*Index*	
1992	2.9	2.8	100.00	100.00
1993	2.6	-1.6	98.43	96.62
1994	1.0	2.5	97.82	96.20
1995	2.1	0.5	96.84	90.80
	Annual Growth (%)		*Annual Growth (%)*	
1992-94	2.2	1.23	-1.09	-1.92
1995	2.1	0.50	-1.0	-5.60
1992-95	2.2	1.05	-1.02	-2.90

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